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Voluntary contributions in the United Nations system organizations: impact on programme delivery and resource mobilization strategies

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Voluntary contributions in the United Nations system organizations: impact on programme delivery and resource mobilization strategies" (JIU/REP/2007/1).

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VOLUNTARY CONTRIBUTIONS IN UNITED NATIONS SYSTEM ORGANIZATIONS

Impact on programme delivery and resource mobilization strategies

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EXECUTIVE SUMMARY

Voluntary contributions in United Nations system organizations: impact on programme delivery and resource mobilization strategies JIU/REP/2007/1

Objective:

To analyse recent trends in voluntary funding in United Nations system organizations, determine the impact of those trends on programme delivery, recommend measures to alleviate negative impact, and identify best practice.

Main findings and conclusions

Funding modalities and trends

- In the period 2000-2005, extrabudgetary/non-core funding was growing at a faster rate than regular/core funding in most United Nations system organizations, with a concomitant rise in the proportion of extrabudgetary/non-core funding in total funding.

Impact on programme delivery

- The trends in voluntary funding have had some positive effects on programme delivery, including facilitating the growth of operational activities in many organizations and providing a competitive boost to efficiency, but they have also posed considerable challenges.

- A major concern has been the lack of predictability of voluntary funding and its impact on the sustainability of programme delivery. This problem may be alleviated if some proportion of the voluntary funding is subject to predictable scales of contribution, as is the case with the model adopted by the Governing Council of the United Nations Environment Programme (UNEP) in 2002, which can be considered an example of best practice. Experience with multi-year funding frameworks, however, has been less encouraging in some organizations.

- The donor base for voluntary contributions is narrow in all organizations. This carries inherent vulnerabilities for programme delivery, and there has been a marked negative impact in cases where major donors have sharply reduced funding, or withdrawn completely.

- Conditionalities attached to voluntary contributions have reduced the flexibility of the funding and inhibited the secretariats of the organizations in their efforts to deliver mandated programmes. There is evidence that earmarking can lead to the distortion of programme priorities, which has been a major concern of the Inspectors. To counteract this problem, the organizations have developed innovative funding modalities, including thematic funding and pooled funding, which can be considered as best practice. Good communication between the stakeholders is also crucial.

- Some organizations have been facing critical shortages of core resources, affecting their ability to provide essential core services. In some cases, non-core resources have been financing key substantive functions and staff.

- The management of extrabudgetary/non-core resources requires substantial administrative support, incurring costs. In most organizations there is some subsidization of these support costs by regular/core resources, diverting resources from activities mandated by legislative organs to those with a narrower bilateral focus. Programme support costs should be fully recovered and, to that end, work on the harmonization of support cost policies should be expedited.

Funding dynamics

- United Nations system organizations compete for voluntary funds, both among themselves and with other entities such as non-governmental organizations. Such competition has provided a stimulus to efficiency, but there are also transactions costs. Furthermore, this competition can drive down support cost rates below the full recovery level, distorting comparative advantages.

- Faced with increasing competition for resources, some United Nations system organizations have sought to increase the flow of funds from the private sector, but in general these resources remain a very small component of overall funding from contributions.

- Constraints to effective fund-raising included insufficient knowledge in the secretariats of the new aid modalities and instruments, such as global funds and other public-private partnerships, or policy constraints in accessing such instruments, and the need for relevant guidelines and training for staff concerned.

- Coordination, collaboration and the partnership approach were seen by both the organizations and the donor countries as key success factors in the competitive funding environment.

Resource mobilization strategies

- Organizations commonly have internal guidelines and procedures for interaction with donor Governments and some have developed similar control mechanisms in respect of the private sector. However, corporate resource mobilization strategies that have been formally adopted by the legislative bodies are more common among the funds and programmes that rely fully or heavily on voluntary funding than among the specialized agencies.

- Some organizations have made considerable progress in developing strategies for resource mobilization. With voluntary funding increasingly pervasive in the United Nations system, all organizations will find it increasingly necessary to develop such strategies. The legislative bodies have an important role to play in instigating and supporting these processes.

Decentralized fund-raising

- United Nations reform initiatives of the last decade, and General Assembly decisions in the context of the triennial comprehensive policy reviews of operational activities for

development, have increasingly shifted attention to country-level operations.

- Against this background, the organizations, as well as the donor agencies, are increasingly decentralizing funding processes and activities, but this may give rise to inefficiencies such as duplication and lack of uniformity.

- Executive heads should ensure that the resource mobilization strategy developed for their respective organizations includes a centralized coordinating entity and that the roles, responsibilities and any delegated authorities for resource mobilization are clearly specified in appropriate administrative instruments.

Looking forward

- The system-wide analysis presented in this report has underlined the key importance of adequate and predictable regular/core resources for effective programme delivery in all areas of United Nations endeavour.

- There have been recent initiatives by the various stakeholders concerning the harmonization and effectiveness of development aid, and principles and good practice of humanitarian donorship. Funding issues are a central element in the work of the Secretary-General's High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment. The Secretary-General should expedite current reform processes that aim to ensure more predictable financing of the United Nations system.

Recommendations for consideration by legislative organs

- **The legislative bodies of each United Nations fund and programme should establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources, based on the model adopted by UNEP, for the consideration and approval of the legislative bodies.**

- **The legislative bodies of United Nations system organizations should request their respective executive heads to expedite work on the harmonization of support cost recovery policies that is currently being carried out under the auspices of the United Nations System Chief Executives Board for Coordination (CEB).**

- **The legislative bodies of United Nations system organizations should request their respective executive heads to ensure that agreements negotiated with individual donor countries for associate expert/junior professional officer programmes include a funding component for candidates from under- and unrepresented countries.**

- **The legislative bodies of United Nations system organizations that have not already done so should request their respective executive heads to develop a corporate resource mobilization strategy for the consideration and approval of the legislative bodies.**

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ABBREVIATIONS

CCA	Common Country Assessment
CEB	United Nations System Chief Executives Board for Coordination
DAC	Development Assistance Committee
EB	Executive Board
FAO	Food and Agriculture Organization of the United Nations
HLCM	High-level Committee on Management
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
JPOs	junior professional officers
MYFF	multi-year funding framework
NGOs	non-governmental organizations
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
RBM	results-based management
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office for Drugs and Crime
UNRB	United Nations regular budget
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNWTO	World Tourism Organization
UPU	Universal Postal Union
VISC	voluntary indicative scale of contributions
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1. In the United Nations multilateral system, priorities are set collectively by all the Member States in the approved programme of work and budget of each organization. It could be expected, therefore, that activities in pursuit of the priorities so established would be funded through the assessed contributions of Member States. Nevertheless, voluntary contributions are a significant component in the overall funding of the United Nations system and have been growing in importance in recent years. The evolution of mandates over time, zero growth in regular budgets, and the shift to national execution by the United Nations Development Programme (UNDP), are among the reasons for the changing balance between assessed and voluntary funding.

2. There is concern in many quarters of the United Nations system about the growth in voluntary contributions, and this report was included in the 2005 work programme of the Joint Inspection Unit (JIU) in response to requests from some of its participating organizations to examine the issues involved. In addition, the JIU's own management assessments of United Nations system organizations pinpointed, in 2004, the conditionality of voluntary funding as a major issue for several organizations.

3. The objective of the review was to analyse recent trends in voluntary funding in United Nations system organizations, determine the impact of those trends on programme delivery, recommend measures to alleviate negative impact, and identify best practice. The report also reviews resource mobilization strategies.

4. In preparing the report, the methodology followed included a preliminary review, questionnaires, interviews and in-depth analysis. A detailed questionnaire was sent to all the participating organizations and the Inspectors then conducted interviews with officials of the United Nations, most of its funds and programmes, most of the specialized agencies and the International Atomic Energy Agency (IAEA). They also sought the views of officials of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), as well as those of representatives of the main donor countries. As part of the review, the Inspectors undertook missions to Nairobi, New York, Paris, Rome and Vienna. Comments from participating organizations on the draft report have been sought and taken into account in finalizing the report.

5. In accordance with article 11.2 of the JIU statute, this report has been finalized after consultation among the Inspectors so as to test its conclusions and recommendations against the collective wisdom of the Unit.

6. To facilitate the handling of the report, and the implementation of its recommendations and the monitoring thereof, annex III contains a table indicating whether the report is submitted to the organizations concerned for action or for information. The table identifies those recommendations which the Inspectors consider relevant for each organization, specifying whether they require, in the view of the Inspectors, a decision by the legislative or governing body of the organization or can be acted upon by its executive head.

7. The Inspectors wish to express their appreciation to all who assisted them in the preparation of this report, and particularly to those who participated in the interviews and so willingly shared their knowledge and expertise.

II. FUNDING MODALITIES AND TRENDS

8. Contributions received by United Nations system organizations are commonly classified in two groups of resources, although terminology, definitions and actual coverage vary from organization to organization. The United Nations, the specialized agencies and IAEA derive a large part of their income from the assessed contributions of Member States – regular budget resources. Voluntary contributions received by these organizations are generally referred to as extrabudgetary resources. For those organizations that rely on voluntary contributions for all or most of their income, it is common to distinguish between core and non-core resources, even though different terminology may be used in the documents of individual organizations.[1] Regular budget/core resources are intended to fund expenses that are fundamental to the existence of an organization and its institutional mandates. Such resources are provided without conditions attached as to their use and can be equated with the notion of "unearmarked contributions", while extrabudgetary/non-core resources are commonly equated with the notion of "earmarked contributions". For the purposes of this report, the participating organizations were asked to provide data for 2000-2005 for both groups of resources, and most responded to this request. Overall trends in this period are analysed below, while trends in individual organizations are presented in annex I.[2]

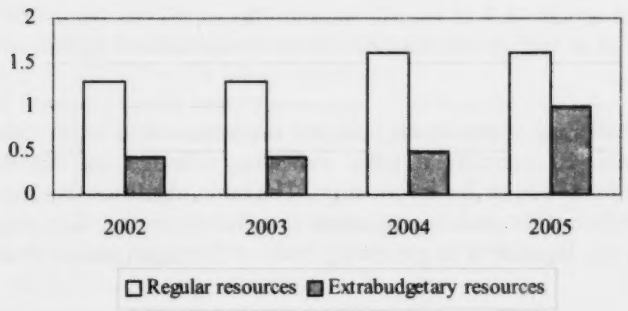
A. United Nations, funds and programmes

9. The Charter of the United Nations states that the General Assembly shall consider and approve the budget of the Organization, and the expenses of the Organization shall be borne by the Members as apportioned by the General Assembly (Article 17). The Charter makes no mention of voluntary funding, but most programmes of the United Nations Secretariat are at least partially funded by voluntary contributions, while the funds, programmes and other bodies established by the General Assembly are entirely, or almost entirely, funded in this way.

Chart 1

United Nations, 2002-2005

(Billions of nominal United States dollars)



Source: CEB data.[3]

[1] The notion of "core" originated with UNDP, and the term was adopted for the common structure of the budgets of UNDP, the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF). See UNICEF Executive Board decision 1998/2 and A/60/74-E/2005/57, paras. 89-92.

[2] The analysis covers resources derived from assessed contributions and voluntary contributions; income from other sources is excluded.

[3] A/61/203: regular resources (approved regular budget), table 1; extrabudgetary resources, table 2.

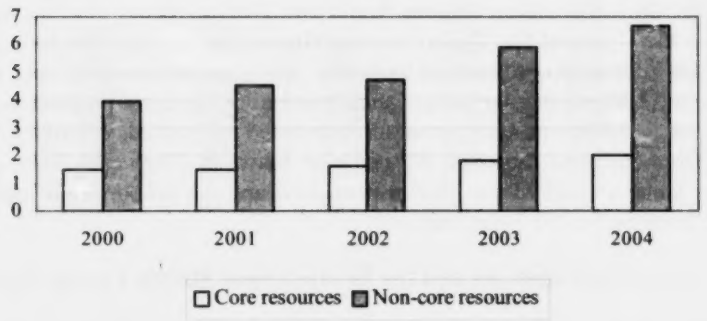
10. The United Nations Secretariat was unable to provide the Inspectors with requested data. Statistics prepared by the United Nations System Chief Executives Board for Coordination (CEB) were used instead, but data on extrabudgetary resources were only available from 2002 (chart 1 above). This short time series suggests a rising trend in extrabudgetary resources, although the surge in 2005 was partly attributable to specific factors, such as the response to natural disasters and the significant weakening of the United States dollar against major donor currencies.

11. The main United Nations funds and programmes – the United Nations Children's Fund (UNICEF), UNDP, the United Nations Population Fund (UNFPA) and the World Food Programme (WFP) – are funded entirely by voluntary contributions. Faced with static or declining core resources of these funds and programmes during the 1990s, the General Assembly directed their governing bodies to adopt a specific and achievable target for core resources, taking into account the relationship between their programme arrangements and financial plans.[4] Multi-year funding frameworks (MYFF) have been adopted in response.

Chart 2

Main United Nations funds and programmes, 2000-2004

(Billions of nominal United States dollars)



Source: Data provided by UNICEF, UNDP, UNFPA and WFP.

12. The combined core and non-core resources from contributions to these four organizations in the period 2000-2004 are shown in chart 2 above. The earlier downward trend in core resources was reversed between 2000 and 2004, and this was accompanied by a strong upward trend in non-core resources, reflecting renewed interest by the donors in funding these organizations. Total resources from all contributions rose by some 58 per cent, although some of the growth in this period can be attributed to specific factors, as noted above. Core and non-core resources grew by some 34 and 67 per cent respectively, and the proportion of non-core resources in total resources thus rose from 72.5 to 76.7 per cent.

13. Other United Nations programmes receive part of their funding from United Nations regular budget resources, including drugs and crime, refugees and environment. Nevertheless, such resources remain a very small part of overall funding for most of the programmes that receive them (see annex I, table 2), and below the levels that were originally foreseen.[5]

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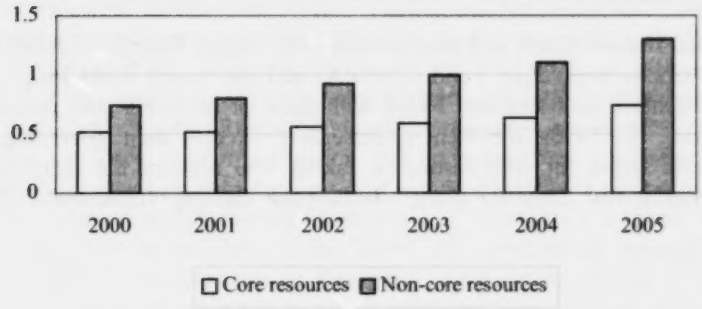
[4] General Assembly resolutions 52/203, para. 6 and 50/227, annex I, para. 12.

[5] The statute of the Office of the United Nations High Commissioner for Refugees (UNHCR) provides that the administrative expenditures of the Office shall be financed under the budget of the United Nations and that all other

Chart 3

Selected United Nations programmes, 2000-2005

(Billions of nominal United States dollars)



Source: Data provided by UNODC, UNHCR, UNRWA and UNEP.

14. Chart 3 above shows the combined core and non-core resources of the United Nations Office on Drugs and Crime (UNODC), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Environment Programme (UNEP). For the purposes of this analysis, resources received from the United Nations regular budget and unearmarked, general purpose voluntary funds were regarded as core resources, while non-core resources comprised earmarked, voluntary contributions. Total resources from contributions rose by some 62 per cent between 2000 and 2005, core and non-core resources growing by some 45 and 73 per cent respectively, and the proportion of non-core resources in total resources rising from 59.5 to 63.7 per cent.

B. Specialized agencies and the International Atomic Energy Agency

15. Article 17 of the Charter of the United Nations provides that the General Assembly shall consider and approve any financial and budgetary arrangements of the specialized agencies and examine their administrative budgets with a view to making recommendations, provisions which are reflected in the relationship agreements between the United Nations and the agencies concerned. The actual funding modalities of the specialized agencies, however, are set out in their constitutions (or equivalent texts) and elaborated in financial regulations. The constitutions provide, in most cases, that the expenses of the approved budget estimates shall be apportioned among the Member States on the basis of a scale to be determined by the supreme legislative body.[6] The constitutions of most organizations foresee some funding in addition to assessed contributions (gifts, bequests, subventions, voluntary contributions), donated by public or private entities. For many of the specialized agencies, as well as IAEA, regular budget resources have traditionally financed the administrative infrastructure and core, normative work, with only limited amounts of such resources going to technical cooperation programmes, which have relied heavily on extrabudgetary resources.

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expenditures shall be financed by voluntary contributions (UNHCR statute annexed to General Assembly resolution 428 (V) of 14 December 1950, article 20). Similarly, the General Assembly resolution establishing UNEP provided for United Nations regular budget funding of the costs of the governing body and a small secretariat; other costs were to be met wholly or partly from a voluntary fund (General Assembly resolution 2997 (XXVII), sect. II, para. 3 and sect. III, para. 1).

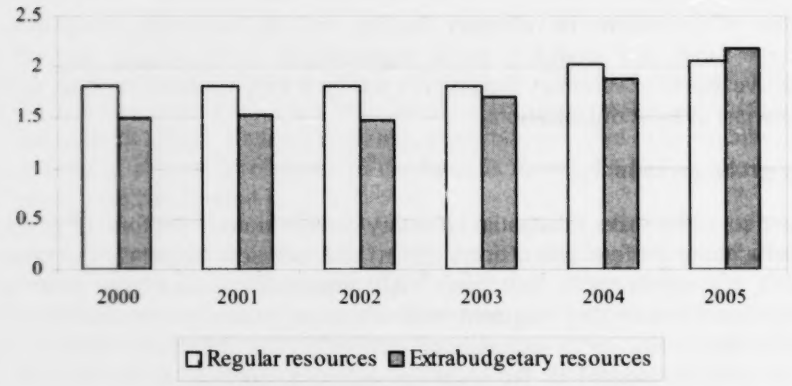
[6] International Telecommunication Union (ITU), Universal Postal Union (UPU) and World Intellectual Property Organization (WIPO) have, however, adopted contributory systems based on voluntary principles.

16. Notwithstanding the provision for some voluntary funding, the Inspectors believe that, for the most part, the intention in the constitutions was for approved budgets to be funded through assessed contributions of the Member States. In the programme budget process, however, the programmes of work that are being approved by Member States may be overly ambitious in relation to the budgets that are approved for their implementation, a situation that was and is exacerbated by zero budget growth policies. The consequent need to supplement regular budget resources derived from assessed contributions with voluntary contributions is underlined by the fact that several organizations, including the International Labour Organization (ILO) and the World Health Organization (WHO), now include estimates for extrabudgetary resources in their programme budget proposals, which has been the practice in the United Nations for many years.

Chart 4

Specialized agencies and IAEA, 2000-2005

(Billions of nominal United States dollars)



Source: Data provided by specialized agencies and IAEA.

17. The combined regular budget resources and extrabudgetary resources of the specialized agencies and IAEA in the period 2000-2005 are shown in chart 4 above. Total resources from contributions rose by some 28 per cent between 2000 and 2005, regular budget and extrabudgetary resources growing by some 12 and 47 per cent respectively, and extrabudgetary resources rising to just over a half of total resources in 2005. As noted above, the influence of specific factors must be taken into account in interpreting these data. Furthermore, there were wide variations in the experiences of different agencies, which are reviewed in annex I below.

III. GROWTH IN VOLUNTARY CONTRIBUTIONS: IMPACT ON PROGRAMME DELIVERY

A. Positive impact of growth in voluntary contributions on programme delivery

Expansion of activities

18. There has been an expansion in the activities of many organizations of the United Nations system that has gathered pace in recent years. While normative work remains important, there has been a major expansion of operational activities in a wide range of fields. In the United Nations this growth has centred on peacekeeping, where there has been a fourfold increase in the total budget since 1998.[7] But there has also been growth in operational activities in other areas, such as humanitarian relief and criminal justice, which has been funded by extrabudgetary resources. Similar trends can be observed in many of the specialized agencies. Voluntary funding has facilitated the growth of such activities.

Stimulus to efficiency

19. The element of uncertainty in voluntary funding, and the increasing recognition of the need to compete for scarce funds, has tended to make organizations more dynamic and efficient. This was considered a positive aspect of voluntary funding not just by the representatives of the donor countries, but also by the secretariats of most organizations.

Value added by gratis personnel

20. Some donor countries make substantial voluntary contributions in the form of gratis personnel, such as associate experts/junior professional officers (JPOs) and technical cooperation experts whose services are accepted on a non-reimbursable loan basis.[8] All organizations considered them to be a valuable resource, and not just because they augment staff resources. Associate experts/JPOs can often inject vitality and fresh ideas, and more experienced personnel can contribute specific expertise. These programmes have been successful in the technical agencies, such as IAEA and the United Nations Industrial Development Organization (UNIDO), where specialist technical skills are required, but are also important in development and humanitarian programmes, such as UNHCR, which currently has about 100 JPOs.

B. Negative impact of growth in voluntary contributions on programme delivery

Lack of predictability

21. Programme delivery under annual or biennial programming cycles depends crucially on the flow of funds. A system of funding based on assessed contributions carries some certainty about the level of funding that an organization can expect to receive in a given time frame. Furthermore, the organizations have recourse to incentives and/or sanctions to improve the level of collection of assessed contributions. The lack of predictability associated with voluntary funding, and the absence of equivalent mechanisms to encourage the payments of pledges, can undermine the planning and delivery of programmes and projects in both the short and longer term. The progressive implementation of results-based management (RBM) in

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[7] A/60/692, paras. 3-6.

[8] The United Nations has distinguished between traditional gratis personnel such as associate experts and technical cooperation experts (type I) and non-traditional gratis personnel (type II) that may only be accepted on an exceptional basis (A/51/688).

United Nations system organizations, with its emphasis on performance and accountability, underlines this dilemma.[9]

22. Lack of predictability and sustainability affect all organizations, but particularly those that depend on voluntary funding for all or almost all of their core resources. Some organizations have tried to address the problem, at least in part, by proposing to Member States that some proportion of the voluntary funding be subject to predictable scales of contribution. UNHCR, for example, put forward proposals in 2003 for a broader funding framework, including a 30 per cent base level model as a means to broaden the UNHCR donor base and address the chronic shortfall in funding.[10] The model was derived from an application of the United Nations scale of assessment to 30 per cent of the UNHCR annual budget, weighted according to the average contributions of a State over the past 10 years, or its contribution in the most recent financial year. All contributions based on the model would be voluntary, and a phased approach to the new system was proposed.

23. In its resolution on implementing actions proposed by UNHCR, the General Assembly did not address the proposed 30 per cent base level model. Instead, it recalled paragraph 20 of the statute of the Office and called for its application.[11] It also reaffirmed the continued voluntary nature of funding of UNHCR and requested States, within their capacities, to contribute to the full funding of the approved budget.[12]

24. In contrast, the UNEP Governing Council adopted in 2002 a voluntary indicative scale of contributions (VISC), initially on a pilot basis, with the objective of increasing predictability in the flow of resources to the Environment Fund. Under this system, contributions were to be calculated on the basis of each country's capacity to pay, with reference to the formula developed for contributions to the United Nations regular budget (see box 1 below).

25. UNEP reported the main results achieved through the introduction of the pilot phase of VISC as a significant broadening of the donor base, and higher voluntary payments to the Environment Fund received from developed countries, countries with economies in transition and developing countries. In addition, financial stability improved, as an absolute majority of countries at least maintained the level of their voluntary payments to the Environment Fund. There was also greater predictability of voluntary contributions to the Environment Fund, as the majority of countries paid above, equal or very close to VISC.[13]

26. While it appears that not all Member States were in favour of the UNEP voluntary indicative scale, the new system has helped to improve the predictability and adequacy of resources, at least in the initial phases. It has also resulted in a wider "ownership" of the organization by Member States with the participation of more countries in the new system, including the least developed countries. Moreover, the United Nations General Assembly has welcomed the progress made in the implementation of the provisions on strengthening the role and financial situation of UNEP, as contained in section III.B of the appendix to Governing Council decision SS.VII/1.[14]

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[9] The alignment of resources with the organization's long-term objectives has been recognized as a key component of RBM. See JIU/REP/2004/6, paras. 40-48.

[10] See "Strengthening the capacity of the Office of the United Nations High Commissioner for Refugees to carry out its mandate" (A/58/410), paras. 53-61.

[11] The pertinent article of the statute provides that administrative expenditures of the Office shall be financed under the budget of the United Nations (see footnote 5 above).

[12] General Assembly resolution 58/153, paras. 7-8.

[13] UNEP/GCSS.IX/INF/6, para. 21.

[14] General Assembly resolutions 60/189, para. 10 and 59/226, para. 12.

Box 1

Voluntary indicative scale of contributions

At its seventh special session in 2002, the Governing Council of UNEP adopted the report of the Open-ended Intergovernmental Group of Ministers or Their Representatives on International Environmental Governance (decision SS.VII/1 of 15 February 2002). Among its recommendations, the Intergovernmental Group proposed the development of a voluntary indicative scale of contributions for the Environment Fund in order to broaden the base of contributions and enhance predictability in the voluntary financing of the Fund (section III.B of the appendix to decision SS.VII/1).

VISC would take into account:

- The United Nations scale of assessment;
- A minimum indicative rate of 0.001 per cent;
- A maximum indicative rate of 22 per cent;
- A maximum indicative rate for the least developed countries of 0.01 per cent;
- Economic and social circumstances of the Member States, in particular those of developing countries and countries with economies in transition;
- Provisions to allow for any Member State to increase its level of contributions over and above its present level.

In developing voluntary indicative scales of contributions for pilot phases in 2003 and 2004-2005, the following were considered important:

- Maintaining the voluntary character of contributions to the Fund;
- Broadening the donor base and inviting all United Nations Member States to consider making regular and adequate contributions to the Fund;
- Maintaining the level of high and adequate contributions by the countries;
- Inviting those countries which at that time were paying below the United Nations scale and below their previous high levels to increase their contributions gradually.

Source: UNEP/GCSS.VII/6; UNEP/GCSS.IX/3.

27. The Inspectors fully support voluntary indicative scales of contributions as a means of improving the predictability and adequacy of resources for those United Nations system organizations facing uncertain core funding. The implementation of the following recommendation is expected to enhance the effectiveness of those organizations in meeting their targets for programme delivery.

Recommendation 1

The legislative bodies of each United Nations fund and programme should establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources, based on the model adopted by UNEP, for the consideration and approval of the legislative bodies.

28. Another approach to improving predictability is target setting within multi-year funding frameworks such as those adopted by UNICEF, UNDP and UNFPA, but the results have been mixed. UNFPA noted that multi-year pledges had become more predictable, but there were problems with transfers and, hence, with cash flow management. UNICEF reported that since the first MYFF annual pledging event in 2000, only 22 per cent of an annual average of 60 donors making pledges had committed to providing contributions for more than one year, and predictability remained a key concern. The Secretary-General has observed that while MYFFs have been effective as planning devices, establishing links between resource benchmarks and targets on a multi-year basis and thus enhancing accountability, they have not yet served to assure a sufficient critical mass of core contributions.[15]

29. Other organizations are also pursuing multi-year funding arrangements. The Office of the United Nations High Commissioner for Human Rights (OHCHR), UNEP and UNRWA, for example, have concluded partnership agreements with several donors for multi-year funding. Several specialized agencies also highlighted initiatives to secure multi-year pledges, or pointed to the need for long-term cooperation agreements with key donors, such as the European Union and the World Bank. The development of general or model agreements and related guidelines was considered important in this regard.

Vulnerability

30. All organizations reported that they receive most of their voluntary funding from a limited number of donor countries, in most cases fewer than ten.[16] While a similarly small number of countries provide the majority of the regular budget resources of those organizations receiving assessed contributions, scales of assessment, which relate actual contributions of countries to their per capita income, help to ensure that the burden is shared reasonably equitably. With the exception of the UNEP voluntary indicative scale of contributions, no parallel mechanisms are in place to help balance voluntary funding among donors.

31. All organizations are vulnerable to a loss of funding if a major contributor withdraws support. In the case of a significant loss in regular budget resources, it is possible that the remaining Member States might cushion at least some of the impact on the programme budget in order to sustain programme delivery. In organizations that are funded entirely or largely by voluntary contributions, the impact on programme delivery may be more severe. This is particularly so when funding ceases abruptly, as UNFPA experienced recently when a major donor withdrew funding. Most organizations, including the specialized agencies, considered their donor base too narrow, with inherent vulnerabilities for programme delivery. This was also the assessment of most of the representatives of donor countries whom the Inspectors met. The adoption of voluntary indicative scales of contributions should help to alleviate this problem (see recommendation 1 above).

Lack of flexibility

32. Most extrabudgetary/non-core resources carry conditionalities, limiting their flexibility for the receiving organization. These funds are earmarked by the donors for existing or specifically designed programmes or projects and/or specific regions or countries, and can be further distinguished by the nature of the restriction, from "soft/light" through to "hard/tight" earmarking. The degree of earmarking may reflect, at least in part, donor support for a particular programme area. Human rights currently enjoys strong support, and about one quarter of OHCHR extrabudgetary resources were free of any conditionalities in 2005, a marked improvement from only 7 per cent unearmarked in 2002.

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[15] A/60/83-E/2005/72, para. 22.

[16] There has been growth in recent years in voluntary funding from emerging donors, but this is still a relatively small proportion of the total.

33. The organizations face a host of difficulties in working with the conditionalities imposed on contributions. WFP, for example, documented 17 donor conditions and the associated effects in an annex to its 2000 resource mobilization strategy. While some of these are specific to the WFP mandate, others have a more general application (see box 2 below.) In 2005, the Executive Board "encouraged WFP to seek a greater proportion of contributions that are multilateral and predictable, given early in the donor's fiscal year without requirements as to their use".[17]

Box 2

The effect of selected donor conditions on WFP

Donor condition	Effect of condition
Donor requires that its contribution be purchased in a specific location.	Undermines WFP ability to base purchasing decisions on price/operational considerations. Also causes problems in purchasing ideal size quantities for operations, which in turn forces WFP to perform multiple purchases, which may cause delays in the arrival of food to beneficiaries.
Donor dictates what commodity can be purchased with its funds.	WFP should be able to decide the most appropriate commodity for the pipeline. As operational requirements change, this donor condition may lead to repeated renegotiation of contributions, long delays in providing food to WFP operations, and pipeline breaks.
Donor contributes from various budgetary sources as legislative constraints prevent full-cost recovery from any one source.	In order to ensure that full-cost recovery is met, WFP must prepare detailed reports accounting for funding from these various sources.
Directed multilateral contributions are restricted for use in specific provinces supported bilaterally by the donor concerned.	Undermines neutrality of WFP assistance and can deny food aid to beneficiaries identified as needy by WFP.
One donor made a contribution to a special operation and decided on the implementing partners and the amount to be paid to the partners.	Undermines WFP authority to choose the most appropriate implementing partners.
A donor requested WFP to distribute its contribution directly to certain beneficiaries in specific regions and in donor-supported settlements.	Undermines neutrality of WFP assistance and prevents WFP from providing assistance where it is most urgently required. Can deny food aid to beneficiaries identified as requiring WFP's assistance.
The confirmation of the contribution and its subsequent availability can be very delayed.	The contribution may need to be reprogrammed and other resources have to be identified to meet operational requirements. Leads to a delay in the arrival of food to beneficiaries.

Source: WFP/EB.3/2000/3-B, annex III.

[17] Decision 2005/EB.2/10; WFP/EB.2/2005/5-B.

34. A working group was established in 2004 by the High-level Committee on Management (HLCM) of CEB on the impact of the changing relationship between regular and voluntary funding on management and programmes. Following its report, a policy statement was adopted by HLCM on behalf of CEB recommending that organizations of the system forego voluntary contributions to which conditions affecting procurement and the recruitment of staff were attached. Exceptions were to be granted by executive heads only when circumstances warranted, and were to be kept to a strict minimum.[18]

35. In an effort to improve flexibility, organizations have launched thematic funding and/or pooled funding initiatives. Thematic funds have fewer restrictions, allowing for longer-term planning while reducing transactions costs and increasing efficiency. The Inspectors were informed that, when introduced in UNICEF in 2003, the initial response from donors was muted, but thematic funding increased rapidly in 2004, and has proved to be particularly effective in large-scale emergencies such as the Indian Ocean tsunami disaster at the end of 2004. UNDP and UNFPA have also established thematic trust funds, and the latter reported positive experiences with such funds for reproductive health commodities and obstetric fistula.

36. Among the specialized agencies, ILO reported that some donors have gradually moved away from earmarking at the project level to broad thematic priorities in accordance with a number of jointly set criteria. The Food and Agriculture Organization of the United Nations (FAO) advised that its strategic/umbrella agreements with specific donors could be characterized as "less earmarked", in that funds were provided to support certain core activities. Relatively "unearmarked" funding modalities included recently introduced strategic partnership programmes with donors, targeted at a broader range of activities, as well as a special fund for emergencies.

37. In the United Nations Educational, Scientific and Cultural Organization (UNESCO), a pooled fund – the Nordic Fund – has been established for the programme Education for All, which has been an important initiative. WHO has introduced a new mechanism to encourage donors to provide funds that can be pooled, and a corporate account for pooled funds has been established that will be used to fill funding gaps. WHO aimed to ensure that all areas of work would have at least 60 per cent financial security for the biennium 2006-2007 by the end of 2006, taking into account the regular budget and available specified and unspecified contributions, then using a small pool of fully flexible resources to bridge remaining gaps.

38. The Inspectors recognize the importance of new initiatives for thematic funding and pooled funding for increasing the flexibility of extrabudgetary/non-core resources received by the organizations and believe that such funding modalities should be a common practice in the United Nations system. The implementation of the following recommendation is expected to enhance the effectiveness of the organizations in meeting their targets for programme delivery.

Recommendation 2

Executive heads should develop, or continue to develop, flexible funding modalities, such as thematic funding and pooled funding, for the consideration and approval of the legislative bodies.

[18] CEB/2004/HLCM/R.3; E/2005/63, p. 23.

39. In 2003, various constituents in the field of humanitarian assistance, including representatives of Governments and multilateral donors, and United Nations institutions, met to endorse principles and good practice in an initiative known as "Good Humanitarian Donorship". The need to ensure predictable and flexible funding for United Nations agencies, funds and programmes and other key humanitarian organizations was recognized, as well as the need to explore possibilities for reduced earmarking and the introduction of longer-term funding arrangements (see paragraph 91 below). The Inspectors acknowledge the importance of this initiative and commend the donors for their commitments in this regard.

Distortion of programme priorities

40. A major concern of the Inspectors has been the potential for voluntary contributions to distort programme priorities – or even mandates – of United Nations system organizations. While they recognize that the risk of distortion of mandates is negligible, as these mandates are generally very broad, the distortion of programme priorities remains a risk, since donors can influence the balance of programmes actually delivered through earmarking of contributions. The Secretary-General has expressed similar concern that the risks of distortion of priorities are high, both at the level of the system as a whole, and in relation to the programme thrust and directions of individual organizations. The outcome may be "a concentration of operational work on particular themes that correspond more to donor preferences than to overall programme priorities defined at the national or international levels".[19]

41. The distortion of programme priorities is not easily measurable, but there are clear indications of the influence that donor preferences can bring to bear, including the over- or underfunding of programmes within the programme cycle, and the relative shares in overall voluntary funding of different programmes and sub-programmes and various regions and countries (some examples are shown in box 3 below). An underlying cause of these imbalances is that in donor countries, funds flow from different government agencies with different mandates and priorities.

42. Faced with such imbalances, it is necessary to devise strategies to enhance compatibility between priorities of organizations and those of the donors. The organizations stressed good communication and regular dialogue between the various stakeholders as key elements in this process, both during and outside of governing body meetings, at headquarters and in the field. It was important to speak increasingly to the donors as a community rather than just one-on-one.

43. WHO reported that intensive discussions were held regularly with about 20 donors on the need for more flexibility and that many had been responsive, particularly to areas of greatest need. There had been an improvement in the balance of implementation of the programme budget in 2004-2005, and further progress was expected in 2006-2007, with peer review in the budget preparation process, and more rigorous monitoring to provide timely information to all stakeholders on the pattern of donations. IAEA also underlined that donors to the nuclear safety and security programme were responsive to guidance on programme priorities. It was important to establish an open and cooperative relationship with the donors and interact upfront, to ensure a distribution of funding that was as close as possible to the priorities.

44. The need for all stakeholders to keep abreast and take account of relevant information and policy developments was emphasized by FAO. This broad awareness includes for instance: the orientations in such key documents as its longer-term Strategic Framework; familiarity with new modalities in the aid environment; the increased focus being placed on implementation of the Millennium Development Goals in pertinent FAO programmes; and the necessary reflection of food and agricultural issues in Poverty Reduction Strategy Papers at the country level. Those who formulated FAO projects had to be actively assisted in order to ensure consistency with the broader policies and priorities approved by the governing bodies.

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[19] A/60/83-E/2005/72, para. 40.

Box 3

Influence of donor preferences on programme priorities

- **UN/OCHA**: Earmarking has created an imbalance in overall funding, with some activities generously funded and others experiencing severe funding shortfalls.
- **UNICEF**: The larger the earmarked other resources component in total resources, the greater is the tendency for UNICEF to become a contractor rather than a partner, and the less influence it has on assigning income to strategic objectives.
- **UNDP**: In 2004, 44 per cent of earmarked programme resources went to one of five core goals, Fostering Democratic Governance, which was twice as much as the second largest core goal, Achieving the Millennium Development Goals and Reducing Human Poverty.
- **UNODC**: Geopolitical factors influence donor earmarking to both projects and regions/countries.
- **UNEP**: There has been a proliferation of trust funds; the allocation of these funds among the sub-programmes has diverged from the priorities set for the Environment Fund by the Governing Council. There is no mechanism to ensure that trust funds are allocated in compliance with the agreed work plan and priorities.
- **UN-HABITAT**: Earmarking has created an imbalance between funds received and the approved work programme, with some programmes overfunded and others only partially implemented.
- **ILO**: Operational programmes had to reconcile the ILO approach and expertise with both the needs and priorities of the constituents and donor preferences, which could result in imbalances in geographic or thematic resource allocation. While no area was overfunded, some, such as Elimination of Child Labour, were more easily funded, but Social Protection and Social Dialogue were less easy to fund.
- **FAO**: The tendency of voluntary contributions to be earmarked, coupled with cumulative cuts in allocations under the regular budget over several bienniums, have resulted in a somewhat uneven field programme, with heavy concentration of work in certain areas, to the detriment of the broad range of requirements for assistance from recipient countries in mandated technical areas.
- **UNESCO**: No programmes were overfunded; some were reasonably well-funded, such as HIV/AIDS preventive education, but this was not the case across the board.
- **WHO**: Heavy reliance on voluntary contributions and their earmarking was a major challenge in trying to ensure effective and balanced implementation of the programme budget, particularly in view of the decentralized structure in six regional offices, and the need to secure adequate funding for all WHO offices and areas of work. In 2002-2003, funds raised overall met the budget target, but funds were not aligned with priorities; in the 35 areas of work, some were overfunded, particularly Emergency Preparedness and Response, and Immunization and Vaccine Development, and some were underfunded, notably Making Pregnancy Safer and Women's Health. The situation improved in 2004-2005, but imbalances remained.

Source: Questionnaire and interview responses.

45. ILO stated its intention to develop a Master Plan for Technical Cooperation, to run in parallel with the Strategic Policy Framework cycle, and consisting of priority outcomes from individual ILO Decent Work Country Programmes and related funding needs. The Plan would provide the donors with a medium-term framework of reference against which resources could be pledged on the basis of individual preferences. Donors were also being encouraged to align their funding cycles to the Strategic Policy Framework in order to enhance the consistency of extrabudgetary programmes with overall priorities and strategies. ILO suggested that there was scope for streamlining interagency mechanisms to work with donors in the framework of national development processes.

46. For the International Maritime Organization (IMO), compatibility between its priorities and those of its donors could be achieved through the development of partnership agreements to ensure that technical cooperation activities to be funded were mutually agreed, a point that would also apply to the many organizations that have established or are developing partnership agreements with the donors.

47. In discussions with donor representatives, different positions emerged. Some pointed out that their Governments did not regard voluntary contributions as a means to influence policies or priorities of the organizations, but rather as a way to help accomplish these priorities, noting that earmarking might target underfunded programmes, or sudden disasters. For some other Governments, however, earmarking was indeed a clear reflection of their interest in certain issues, but with the assurance that stable, multi-year funding would be forthcoming for these issues. It was also stated that earmarking might be linked to a donor's assessment of the management and performance in the different organizations.

48. Donor representatives also pointed out that the urgent need to fund humanitarian emergencies, such as earthquakes and the Indian Ocean tsunami disaster of 2004, could divert funds from other priorities, such as longer-term programmes to build capacity for disaster protection, thus creating distortions. These processes were typically reinforced by high-profile appeals in the media, often by senior United Nations officials, for funding for disasters.

49. As this brief analysis shows, the issue of the influence of donor preferences on programme priorities is complex and multi-faceted, and it is evident that there are no simple solutions. But if current trends continue, the proportion of voluntary funding in total funding will carry on increasing, reinforcing the risk of distortions of programme priorities. This underlines the need for flexible funding modalities, such as thematic funding and pooled funding, which is the subject of recommendation 2 above. The Inspectors also stress the vital importance of regular communication and open dialogue between the various stakeholders. The implementation of the following recommendation is expected to enhance the effectiveness of the organizations in meeting their targets for programme delivery.

Recommendation 3

Executive heads should review the existing policies and procedures of their respective organizations that guide interactions with donor countries and revise them, as appropriate, to ensure that those interactions are conducted in a systematic and open manner.

Extrabudgetary/non-core support to regular/core activities

50. Regular/core resources are the essence of multilateralism, yet some United Nations organizations are facing critical shortages of core resources which are affecting their ability to provide essential core services. In some cases, extrabudgetary/non-core resources are being utilized to close gaps and fund core services.

51. Core resources are the backbone of the funding of United Nations funds and programmes and an essential determinant of the capacity of their offices. A strong programme based on core resources is a prerequisite for the effective deployment of earmarked non-core funds. In both UNICEF and UNDP, the rate of growth of non-core resources has outstripped that of core resources in the period 2000-2004, and non-core resources have risen as a proportion of total resources (see annex I, table 1 below). This gives rise to questions of sustainability as core and non-core resources are not generally interchangeable. Difficulties may occur in maintaining the programme and administrative structures to support and manage growing non-core funding.

52. In UNODC, a sharp fall in the proportion of core resources has increased pressure on the infrastructure and left key management services understaffed; it has been necessary to seek earmarked contributions to continue with the development of results-based management (RBM) and the project management cycle. A time management study conducted by UNODC in 2004 for all its offices showed that extrabudgetary resources were supporting core functions. UNEP also faces a shortage of core funding, with contributions to the Environment Fund, the main source of funding for UNEP activities, continuing to fall short of the budget approved by the governing body, forcing UNEP to scale down its work programme. Non-core resources are financing key substantive functions and a large proportion of UNEP staff.

53. Similarly, in the specialized agencies, voluntary contributions are funding core activities in some instances, such as the aviation security programme of the International Civil Aviation Organization (ICAO). IAEA identifies core activities unfunded in the regular budget which comprise activities that are expected to be financed from extrabudgetary funds, and activities for which no funding is currently foreseen. In those agencies where the proportion of regular budget resources in total resources is falling, it is increasingly likely that at least some core, normative work will be funded from extrabudgetary resources. The Inspectors believe that this is a major cause for concern.

54. In successive resolutions on the triennial comprehensive policy review of operational activities for development of the United Nations system, the General Assembly has reiterated the importance of core resources and called on donor countries, and other countries in a position to do so, to substantially increase their contributions to the core/regular budgets of the United Nations development system, and, wherever possible, to contribute on a multi-year basis.[20]

Subsidization from regular/core to extrabudgetary/non-core resources

55. The management of extrabudgetary/non-core resources requires substantial administrative support, incurring costs. The issue of support costs in United Nations system organizations has been studied extensively, including by JIU in a report issued in 2002.[21] It has been widely recognized that there is some subsidization of these costs by regular/core resources. Indeed, it has been observed that support cost policies of most United Nations system organizations permit such subsidization, whether implicitly or explicitly, and that the "founding principle upon which most United Nations support cost rates are based – the original UNDP formula – considers partial support cost reimbursement…as an appropriate financial

[20] General Assembly resolutions 53/192, sect. B, 56/201, sect. II and 59/250, sect. II.
[21] JIU/REP/2002/3.

expression of partnership".[22] Notwithstanding these considerations, the Inspectors are concerned that such subsidization diverts resources from programmes, projects or activities mandated by legislative organs to those with a narrower, bilateral focus.

56. The 2002 JIU report highlighted a lack of harmonization of support cost recovery policies and practices among organizations of the United Nations system.[23] In response to the recommendations of this report, as well as the deliberations of HLCM, a working group led by UNESCO was set up under the auspices of the CEB Finance and Budget Network. The working group has established the following definitions and principles:

- Direct costs (e.g. project personnel and equipment) should be charged directly to the projects;
- Fixed indirect costs (e.g. senior management) should be financed by regular/core resources;
- Variable indirect costs, also known as programme support costs (e.g. administrative units supporting project activities) should be recovered from the project.

57. The working group recently concluded that "cost recovery policies should encompass both programme support costs and direct costs" and that "both these costs should be fully recovered from extra-budgetary projects".[24] It also reported that collaborative work was in progress to develop methodologies for building standard staff costs.[25] The HLCM of CEB has endorsed the conclusions of the working group, and the United Nations Development Group has agreed to build on these findings in its own work on harmonization of support cost recovery policies. The Inspectors strongly believe that there is an urgent need to expedite the harmonization of support cost recovery policies among United Nations system organizations, building on the findings of the working group of the CEB Finance and Budget Network. The implementation of the following recommendation is expected to lead to management improvement through the development and dissemination of best practice.

Recommendation 4

The legislative bodies of United Nations system organizations should request their respective executive heads to expedite work on the harmonization of support cost recovery policies that is currently being carried out under the auspices of the United Nations System Chief Executives Board for Coordination (CEB).

High transactions costs

58. The management of many different donor cycles and procedures can involve high transactions costs. Among these, onerous reporting requirements of specific donors were frequently seen as a problem by the organizations. Small earmarked contributions also carry relatively high administrative costs, but discouraging such donations risks creating a disincentive effect.

Programming issues

59. Some secretariats indicated that the constant pressure to raise funds might influence their programming decisions. Programmes dealing with themes that were currently high profile, such as post-

[22] Ibid., paras. 11-15.
[23] Ibid., paras. 57-65 and recommendation 11.
[24] CEB/2005/5, paras. 48-54.
[25] A feasibility study of the technical aspects of applying cost-accounting principles in the United Nations Secretariat has been undertaken by consultants and a more comprehensive report will be submitted to the sixty-first session of the General Assembly (A/60/714).

conflict support, may attract funding relatively more easily than other themes that might fit better with the programme priorities of the organization. Thus competition for resources may increase the risk of distortion of programme priorities. Another issue related to the selectivity of earmarking that resulted in fragmentation in programme delivery, which was seen as a particular problem by UNIDO in its efforts to deliver integrated programmes.

Diversion of resources to fund-raising activities

60. Organizations must spend resources in order to raise resources. As the proportion of extrabudgetary/non-core resources in total resources rises, and the competition for such resources increases, so it has become necessary to devote more time and effort to fund-raising activities. Annex II of this report gives an overview of the current resource mobilization strategies, structures and procedures of United Nations system organizations. Fund-raising is a labour-intensive activity and structures that support it must be staffed with experienced professionals and adequate support personnel, diverting resources from programme and project activities.

Human resources issues

61. United Nations staff rules limit the extension of contracts of experts recruited to work on projects, and this was considered to be a problem for programme delivery by one of the technical agencies employing highly specialized experts. Other organizations considered that the temporary nature of the contracts of staff recruited against extrabudgetary funds could lower morale and create disincentive effects. Staff morale might also be adversely affected by the use of gratis personnel if it was perceived that such personnel have an advantage in subsequent recruitment, competitive or otherwise. Most organizations reported that they applied strict rules to subsequent recruitment, but some acknowledged that such personnel might have a comparative advantage. Disincentive effects might also occur in cases where gratis personnel have more favourable conditions of employment than regular staff.

62. The impact on programme delivery of such human resources issues is not easy to determine, but they remain a concern to several organizations. The Inspectors have been particularly concerned that, in most organizations, associate experts/JPOs are drawn only from developed countries, believing that there should be a more balanced geographical representation. Implementation of the following recommendation is expected to increase the effectiveness of such programmes.

Recommendation 5

The legislative bodies of United Nations system organizations should request their respective executive heads to ensure that agreements negotiated with individual donor countries for associate expert/junior professional officer programmes include a funding component for candidates from under- and unrepresented countries.

IV. FUNDING DYNAMICS

A. Competition for resources

63. While voluntary funding is increasing, such resources are still scarce relative to demand, and United Nations system organizations compete for them, both among themselves and with other entities such as non-governmental organizations (NGOs). The extent of this competition depends on several factors, including the uniqueness of individual mandates and associated comparative advantages. Most organizations, be they technical specialized agencies, funds or programmes, reported specific instances where they were competing with other United Nations system organizations to fund activities in similar programme areas, one common example being HIV/AIDS. There was a consensus among the organizations that such competition was generally healthy, as well as a recognition of the need to constantly strive to improve programme delivery and reporting to maintain trust established with the donors – a view echoed by the donors themselves.

64. Some United Nations system organizations emphasized the growth of competition from the NGO sector in the last ten years, particularly from the largest NGOs from both the northern and, more recently, southern hemispheres. These could attract sufficient government funding to compete directly at the country level, particularly in humanitarian programmes. UNHCR, for example, has traditionally used NGOs as implementing agencies, but some of these were now being funded directly by the donors, and the proportion of the UNHCR budget going to implementing agencies had fallen sharply in the last ten years. One donor country considered that NGOs were more efficient and effective and less bureaucratic than United Nations system organizations, and channelled a major part of its voluntary funding through them, but this view was not necessarily shared by other donors.

65. While the benefits of competition were generally acknowledged, some organizations pointed to the costs involved in time-consuming and possibly fruitless efforts to raise funds. Furthermore, where resources were allocated through a competitive bidding process, a number of other difficulties could arise, including incompatibility of legal and financial rules, short time frames for preparing technical and financial proposals, and terms of reference that were fixed in advance. ILO, for example, found that such considerations imposed some constraints on its involvement in tender operations for projects funded by development banks, the European Union and bilateral donor agencies. [26]

66. A further negative effect of competition for resources related to support cost rates. United Nations system organizations use multiple support cost rates, typically ranging from a 13 per cent standard rate down to zero.[27] While this multiplicity of rates may be justified in many instances by the diversity and labour intensiveness of programme activities, funding arrangements and cost structures, it is evident that competition for scarce extrabudgetary/non-core resources is also a factor in setting support cost rates. The JIU 2002 report on support costs found that competition between the specialized agencies for extrabudgetary/non-core resources on the basis of support cost rates was relatively limited, since these agencies tended to operate in separate markets. Competition was stronger, however, between United Nations system organizations with similar or overlapping mandates in fields such as development or humanitarian assistance; in these cases donors were more likely to be influenced by support cost rates. [28]

67. In the absence of a system-wide cost measurement exercise, there is no evidence to suggest that relatively lower support cost rates applied by some United Nations system organizations are correlated with higher efficiency. Nevertheless, donors may regard lower rates as an indicator of efficiency, and the

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[26] GB.291/TC/1, para. 15.4.

[27] For a review of extrabudgetary support cost rates applied by eight United Nations system organizations, see JIU/REP/2002/3, pp. 12-13.

[28] Ibid., paras. 53-56.

significance of the associated comparative advantage in resource mobilization to the organizations concerned should not be underestimated. In this regard, the UNDP practice of incorporating indirect support costs as part of the cost of substantive UNDP project inputs and expenditures has been seen as a particular concern as it would seem to distort comparative advantages in favour of UNDP.[29]

B. Private sector funding

68. United Nations system collaboration with the private sector is not a new phenomenon, but there have been fresh initiatives in recent years, including the growth of global funds and foundations and other public-private partnerships. Faced with increasing competition for resources, some United Nations system organizations have sought to increase the flow of funds from the private sector.

Table 1

Funding from the private sector, NGOs and individuals: selected United Nations system organizations

United Nations funds and programmes	Resources from private sector, NGOs and individuals as a proportion of total resources[a] *(per cent)*		Specialized agencies and IAEA	Resources from private sector, NGOs and individuals as a proportion of total resources[a] *(per cent)*	
	2000	2005		2000	2005
UNICEF	36.4	32.9[b]	ILO	0.4	0.8
UNFPA	4.3	2.2	UNESCO	1.7	3.1
WFP	0.3	0.9	WHO	21.6[c]	11.4
UNODC	0.9	1.5	ITU	3.3	7.8
UNHCR	2.0	2.7	UNIDO	0.9	1.8
UNRWA	0.5	3.4	IAEA	0.8	1.7

Source: Data provided by the organizations.

[a] *Total resources includes assessed and voluntary contributions, but excludes income from other sources.*
[b] *2004.*
[c] *Reflects one-off receipt of in-kind contributions.*

69. Data provided by the organizations on contributions from the private sector, NGOs and private individuals for the period 2000-2005 showed year-on-year fluctuations in most cases, and no clearly discernible trends. In most organizations, these resources remain a very small component of overall funding from contributions (table 1). Among the funds and programmes, UNICEF remains the exception with about one third of its annual income raised by its 37 National Committees. Among the specialized agencies, only WHO reported significant amounts of funding from the private sector/NGOs/individuals.

[29] Ibid., paras. 41-42 and recommendation 7.

70. While most organizations recognized the potential of the private sector as a source of funding, some pointed to the need to determine an appropriate policy and put in place adequate instruments for receiving funds from corporate and individual donors in the private sector.

C. Constraints to effective fund-raising

71. The Inspectors sought the views of the secretariats on current constraints to effective fund-raising. While many pointed to factors that were specific to their organizations, some commonalities emerged, including insufficient knowledge in the secretariats of the new aid modalities and instruments, such as global funds and other public-private partnerships, or policy constraints in accessing such instruments, and the need for relevant guidelines and training for staff concerned. Failure to demonstrate the potential of United Nations system organizations to add value also constrained fund-raising, and this was attributed to inadequacies in communications, including public relations and marketing. Some secretariats believed there was a strong donor perception of uncoordinated approaches among the partners, duplication and inefficiency, which had a negative impact on fund-raising. Other constraints included donor conditionality, short and rigid budgeting cycles and unrealistic time frames, bureaucratic procedures, and limited absorptive capacity.

D. Partnerships

72. Coordination, collaboration and the partnership approach were seen by the organizations as key factors in the competitive funding environment. ILO, for example, reported that it increasingly coordinated its programming in the context of the United Nations Development Assistance Framework (UNDAF) and Poverty Reduction Strategy Papers and expected in the future to take part in joint fund-raising efforts, especially at the country level. FAO sought as a matter of policy to join in partnerships with other United Nations system organizations to carry out activities of global, interregional, regional or subregional impact, such as the fight against avian influenza. UNDP had established a Bureau for Resources and Strategic Partnerships. UNICEF indicated that substantive issues such as HIV/AIDS had also enhanced agency collaboration, especially between the co-sponsors of the United Nations Joint Programme on HIV/AIDS (UNAIDS). Some organizations thought that while mechanisms such as UNDAF had improved the coordination of programming at the country level in recent years, more could be done.

73. Donor countries attached great importance to coordination between United Nations system organizations, particularly in humanitarian activities, and some indicated that collaboration with local NGOs was essential. The need to develop partnerships among the various stakeholders was emphasized by both the donor countries and the organizations themselves.

V. RESOURCE MOBILIZATION STRATEGIES

74. Strengthening the financial situation of United Nations system organizations is a concern of both the governing bodies and the secretariats of the respective organizations, with executive heads reporting regularly on measures to improve funding levels, be it the collection of assessed or pledged contributions, or the raising of additional funds. The organizations are committed to seeking new ways to augment their resources and some are in the process of developing, or updating, resource mobilization policies and strategies to guide these efforts more systematically. Such strategies are designed to strengthen the capacity of the organizations to implement their mandates by increasing funding from both traditional and non-traditional sources, improving stability and predictability, broadening the donor base, and stimulating the use of innovative fund-raising techniques.

75. An overview of resource mobilization strategies, structures and practices of United Nations system organizations is contained in annex II, and some are reviewed in more detail below. The Inspectors found that organizations commonly have internal guidelines and procedures for interactions with donor Governments and some have developed similar control mechanisms in respect of the private sector. As might be expected, however, corporate resource mobilization strategies that have been formally adopted by the legislative bodies are more common among the funds and programmes that rely fully or heavily on voluntary funding than among the specialized agencies.

A. Strategies for resource mobilization

Selected funds and programmes

76. In adopting measures in the mid-1990s for the restructuring and revitalization of the United Nations in the economic, social and related fields, the General Assembly recognized the need for a substantial increase in resources for operational activities for development on a predictable, continuous and assured basis (resolution 50/227). It also stated that the fundamental characteristics of these operational activities should be their universal, voluntary and grant nature, their neutrality and their multilateralism, as well as their ability to respond to the needs of the developing countries in a flexible manner. The governing bodies of UNICEF, UNDP, UNFPA and WFP were accordingly called upon to adopt a specific and realistic target for core resources, based on their programme needs and specific mandates.[30] Funding strategies were developed and adopted accordingly.

77. The 1998 resource mobilization strategy of UNICEF was clearly articulated in a comprehensive strategy document, approved by its Executive Board, that focused on increased and more predictable core resources, increased burden-sharing and supplementary funding issues, including thematic, multi-country approaches and reporting.[31] It also identified key activities of the secretariat undertaken to support the strategy, including communications, private sector fund-raising and field office activities. Country offices were asked to develop national fund-raising strategies for supplementary funding as part of the country planning processes.

78. The UNICEF strategy was being updated in 2006 to take account of the current orientation of the funding environment, such as decentralization, the growth of global partnerships and foundations, grant-based funding, direct budget support, and United Nations reform and harmonization, including mechanisms for passing funds through joint programming. The new strategy will recognize the new approaches, the changing profile of development cooperation and national priorities for assistance, as well as related staff capacities at the country level.

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[30] General Assembly resolutions 50/227, annex I, paras. 1, 4 and 12 and 52/203, fourth preambular paragraph and para. 6.

[31] E/ICEF/1999/5.

79. The UNDP funding strategy, as set out in Executive Board decision 98/23, adopted annual funding targets and a multi-year funding framework (MYFF) that integrates programme objectives, resources, budget and outcomes, with the objective of increasing core resources. It encourages member countries to announce their core voluntary contributions on a three-year cycle, for those in a position to do so, along with their payments schedules. MYFF as it has developed now consists of two components: the Strategic Results Framework and the Integrated Resources Framework. The latter brings together all funding sources – both core and non-core resources – covering programme, programme support, management and administration and support to operational activities of the United Nations.[32]

80. At the request of its Executive Board (decision 98/2), UNDP undertook an evaluation of non-core resources in 2001. The evaluation included a recommendation for the adoption of a differentiated approach to resource mobilization.[33] Overall the resource mobilization strategy would be driven by clearly articulated principles, but at the field level the specifics of the strategy were likely to vary from country to country, reflecting different country and regional circumstances. As part of the overall strategy, the identification of emerging sources of finance was as essential as the strengthening of partnerships with key bilateral and multilateral agencies. Clear global agreements with the donors would greatly facilitate similar agreements at the country level. And UNDP would have to make a clear commitment to resource mobilization in support of key development priorities. Finally, the competencies and skills of UNDP country office teams needed to be substantially upgraded, focusing on results orientation, substantive and technical competencies in the thematic areas of priority, and leadership and entrepreneurship. The UNDP Executive Board has not formally adopted the recommended resource mobilization strategy, simply taking note of the evaluation report in 2002.[34]

81. WFP reviewed its fund-raising strategies in 1999 in response to General Assembly resolutions 50/227 and 52/203, as well as the findings of its own working group on resource and long-term financing policies. The resource mobilization strategy adopted by the Executive Board in 2000 sought to enhance predictability by encouraging donors to communicate multi-year indicative pledges, based on their Food Aid Convention commitments, and by seeking standard agreements with individual donor Governments in order to provide an estimate of expected annual resources.[35] Measures to promote multilateral contributions and to reduce conditionalities aimed to improve flexibility, while security of resources could be enhanced by greater burden sharing among new and existing donors. The importance of the private sector in raising public awareness of WFP, and as a source of new resources, was recognized. Measures were proposed to address funding for development, and the response to emergencies including "forgotten" emergencies, as well as internal procedures, such as streamlined standardized project reporting.

82. In the period 2000-2005, WFP took further measures to enhance its resource mobilization capacities, including decentralization of some activities with a view to strengthening relationships with its existing donor community. It also adopted a strategy to engage additional Governments and private entities in order to broaden its donor base.[36] For those potential donor Governments not having the capacity to meet full-cost recovery, but meeting certain eligibility criteria, assistance was proposed in the form of various twinning arrangements. Guided by the framework for private-donor cooperation established by the United Nations Global Compact, a private-donor strategy was developed that was demand-driven and based on WFP needs.

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[32] "Second multi-year funding framework, 2004-2007", DP/2003/32.
[33] "Evaluation of non-core resources", UNDP Evaluation Office, June 2001, sect. 9.4, submitted to the Executive Board as DP/2001/CRP.12.
[34] DP/2003/2.
[35] WFP/EB.3/2000/13; WFP/EB.3/2000/3-B.
[36] WFP/EB.3/2004/15; WFP/EB.3/2004/4-C.

The development of the UNEP resource mobilization strategy was also prompted by General embly resolution 50/227, as well as various decisions of its legislative body in the period 1997-2000. objectives of the strategy were to stabilize, increase and make more predictable the financing of EP activities from traditional sources, to broaden the donor base within the governmental and non-ernmental sectors, and to stimulate creative fund-raising.[37] Measures to mobilize additional funds from itional sources included encouragement of collective commitments from groups of countries to meet et proportions of the approved programme budget, and strategic planning of financial and programme nerships with regional and global funding mechanisms. Private sector fund-raising would be ducted strictly within guidelines issued by the Secretary-General relating to cooperation between the ted Nations and the business community, but the need for innovative approaches in this competitive or was also recognized.

ected specialized agencies

The ILO Governing Body adopted a resource mobilization strategy in 2004. The strategy identified ain challenges, including the need to broaden and consolidate the donor resource base, and strike a er sectoral and geographical balance in technical cooperation activities. Ensuring the longer-term tinuity of technical cooperation efforts was another issue, as well as the high transactions costs of or-specific procedures.[38] To address these challenges, ILO is seeking to enter into partnership eements with a greater number of donors on the basis of multi-annual funding and decision-making hanisms that are in line with its own programming cycles and strategic priorities. An enhanced role is envisaged for ILO field offices, by negotiating with donor representatives at the local level to ilize additional resources. To implement the strategy, ILO is taking steps to improve its internal hanisms for resource mobilization and has focused on a number of key elements that are elaborated in port to the 2006 session of the International Labour Conference.[39]

Following in-house consultations, the WHO secretariat developed a comprehensive framework for urce mobilization in 2005, which recommended new approaches, including the creation of a resource ilization service to provide service-oriented coordination and support to offices and staff at each level he Organization to enable them to interact more effectively with donors.[40] An advisory group of senior nagers would provide guidance to the resource mobilization service and set objectives and targets, le resource mobilization training and capacity-building would be made available to a wide range of f. Measures to enhance resource mobilization at the country level are also proposed, including greater egation of authority to country representatives, and the inclusion of resource mobilization as an ective in country cooperation strategies. A clear corporate communications and advocacy strategy, and funding mechanisms, are also envisaged, and a two-year staged implementation is planned. The urce mobilization framework provides the basis for further consultations and the eventual elopment of organization-wide resource mobilization policies and strategies. In addition, WHO has n involved in extensive discussions with its Member State donor community to encourage monization and alignment of contributions in accordance with the approved Programme Budget, as l as the simplification of the associated management requirements.

As the brief review above indicates, some organizations have made considerable progress in eloping strategies for resource mobilization. With voluntary funding increasingly pervasive in the ted Nations system, all organizations will find it increasingly necessary to develop such strategies. The ectors are of the view that the legislative bodies have a crucial role to play in instigating and

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NEP/GC.21/7/Add.1.

B.291/TC/1, November 2004, sect. II.

The role of the ILO in technical cooperation", International Labour Conference, 95th session, 2006, report VI, III.

Resource Mobilization Framework", WHO, December 2005.

supporting these processes, and believe that the implementation of the following recommendation will enhance the effectiveness of the organizations in meeting their targets for programme delivery.

Recommendation 6

The legislative bodies of United Nations system organizations that have not already done so should request their respective executive heads to develop a corporate resource mobilization strategy for the consideration and approval of the legislative bodies.

B. Decentralized fund-raising

87. United Nations reform initiatives of the last decade, and General Assembly decisions in the context of the triennial comprehensive policy reviews of operational activities for development, have increasingly shifted attention to country-level operations. Greater harmonization is being sought through the United Nations Resident Coordinator system, Common Country Assessments and United Nations Development Assistance Frameworks (CCA/UNDAF), and national development plans, with an emphasis on programming complementarities and integration. Similar efforts are being applied in the humanitarian field through the Office for the Coordination of Humanitarian Affairs (OCHA) and the Consolidated Appeals Process that was launched in 1994. Against this background, United Nations system organizations, as well as the donor agencies, are increasingly decentralizing funding processes and activities. In ILO, for example, locally mobilized funds represented some 15 per cent of total technical cooperation funding in 2002, but this had risen to some 25 per cent in 2004.

88. As is shown in annex II, the majority of United Nations system organizations raise funds at the country level, and it is also commonplace for the technical departments of various agencies to make direct contacts with donors. However, multiple approaches may not necessarily be optimal in terms of the organization's programme priorities, and may entail other inefficiencies such as duplication, lack of uniformity, and misunderstandings. The UNHCR comprehensive guide for field offices on donor relations and resource mobilization uses case studies to illustrate the problems that can arise from lack of coordination in fund-raising activities between field offices and headquarters, and the possible consequences for donor relations. Organizations recognize the need for centralized coordination of resource mobilization to avoid such problems. The Inspectors believe that the implementation of the following recommendation will enhance efficiency in resource mobilization activities.

Recommendation 7

Executive heads should ensure that the resource mobilization strategy developed for their respective organizations includes a centralized coordinating entity and that the roles, responsibilities and any delegated authorities for resource mobilization are clearly specified in appropriate administrative instruments.

VI. LOOKING FORWARD

89. The Secretary-General has stated, in his report entitled "Funding options and modalities for financing operational activities for development of the United Nations system", that "the insufficiency of core resources for both administration and programme development represents the single most important constraint on the performance of development entities".[41] The system-wide analysis presented by the Inspectors in this report has underlined the key importance of adequate and predictable regular/core resources for effective programme delivery, not just in the field of development, but in all areas of United Nations endeavour.

90. Recent initiatives acknowledge the need for change. In the Rome Declaration on Harmonization of February 2003, the multilateral and bilateral development institutions and multilateral financial institutions, and partner countries, recognizing the need for improvements in development effectiveness, identified the key importance of a country-based approach, emphasizing country ownership, government leadership, and capacity-building, as well as diverse aid modalities. In the Paris Declaration on Aid Effectiveness of March 2005, ministers of developed and developing countries responsible for promoting development, and heads of multilateral and bilateral development institutions, resolved to take far-reaching actions to reform the ways they delivered and managed aid, agreeing to introduce indicators to monitor progress in terms of ownership, harmonization, alignment, results and mutual accountability.

91. In the field of humanitarian assistance, the various constituents endorsed, in Stockholm in 2003, Principles and Good Practice of Humanitarian Donorship (see paragraph 39 above). The good practices covered donor financing, management and accountability, including the recognition that changing needs in humanitarian crises required a dynamic and flexible response, and a commitment to strive to ensure predictability and flexibility in funding to United Nations agencies, funds and programmes and other key humanitarian organizations.

92. In response to the 2005 World Summit Outcome, the Secretary-General established, in February 2006, a High-level Panel to explore how the United Nations system could work more coherently and effectively at the global level in the areas of development, humanitarian assistance and the environment. The terms of reference of the Panel included "[t]he broad issue of more predictable financing of the UN system...and its impact on existing systems and proposed reform...".[42] The Panel has held consultations with the various stakeholders, including one on "funding for results", where it reviewed the current situation and various options for funding.[43] The Inspectors commend the Secretary-General for his initiative in establishing the Panel and for ensuring that funding issues were a central element of its work.[44] They urge him to expedite current reform processes that aim to ensure more predictable financing of the United Nations system.

93. Heads of State and Government, in adopting the 2005 World Summit Outcome, reaffirmed "the vital importance of an effective multilateral system" and underlined "the central role of the United Nations".[45] It is the earnest hope of the Inspectors that this reaffirmation will ensure that adequate, predictable and assured regular/core funding will be forthcoming to sustain the United Nations multilateral system over the longer term.

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[41] A/60/83-E/2005/72, para. 20.
[42] http://www.un.org/events/panel/html/page2.html.
[43] http://www.un.org/events/panel/html/page3.html.
[44] The report of the High-level Panel was issued as this report was being finalized.
[45] See General Assembly resolution 60/1, para. 6.

Annex I

TRENDS IN FUNDING, 2000-2005[1]

1. In all organizations, specific factors have influenced growth rates in this time period, including the decline in value of the United States dollar against other currencies, and funding responses to natural disasters.

United Nations offices, funds and programmes

2. Humanitarian affairs relies heavily on extrabudgetary funding, with only 11 per cent of the overall budget of OCHA coming from the United Nations regular budget in 2005. Voluntary contributions to OCHA increased sharply in 2004 compared with 2003, partly because of donor responses to natural disasters.

3. Total resources of OHCHR rose by 90 per cent between 2000 and 2005, regular budget resources and extrabudgetary resources increasing by some 70 and 100 per cent respectively, with extrabudgetary resources accounting for two thirds of total resources in 2005. Following the recommendation of the 2005 World Summit, the General Assembly decided to double the regular budget funding for OHCHR over five years.

Table 1

Main United Nations funds and programmes

	Rate of growth of core and non-core resources, 2000-2005 *(per cent)*		**Non-core resources as a proportion of total resources** *(per cent)*	
	Core	**Non-core**	**2000**	**2005**
UNICEF	*35.5*[a]	*101.7*	49.7	*59.6*
UNDP	*32.8*	*96.9*	71.3	*78.6*
UNFPA	36.9	35.4	35.8	35.5
WFP	11.6	63.3	98.9	99.3

Source: Data provided by UNICEF, UNDP, UNFPA and WFP.

[a] *Data in italics is for 2004.*

4. In UNFPA, both core and non-core resources rose by just over one third between 2000 and 2005, and non-core contributions remained about one third of total contributions. UNDP and UNICEF experienced similar core growth rates, but non-core contributions grew three times faster than core contributions, so that the proportion of non-core contributions in total contributions rose sharply, to some 79 and 60 per cent respectively. Among these organizations, only UNICEF derives significant voluntary funding from private sector sources; it increased more than 50 per cent between 2000 and 2005.

5. Only a very small proportion of WFP resources are received as unearmarked multilateral cash (core) contributions; the rest is earmarked – directed multilateral contributions received as cash or in kind goods and services. While the level of both types of resources fluctuated between 2000 and 2005, the growth of unearmarked multilateral cash contributions was much slower than that of directed multilateral contributions.

[1] The analysis covers resources derived from assessed contributions and voluntary contributions; income from other sources is excluded.

Table 2

Selected United Nations programmes

	Rate of growth of core and non-core resources, 2000-2005 (*per cent*)				UNRB resources as a proportion of total resources (*per cent*)		Non-core resources as a proportion of total resources (*per cent*)	
	UNRB resources	Other core	Total core[a]	Non-core	2000	2005	2000	2005
UNODC	61.5	5.5	29.5	111.3	14.2	12.5	66.9	76.6
UNHCR	96.4	70.5	73.9	52.0	2.7	3.4	79.6	77.3
UNRWA	48.4	41.1	41.5	119.2	3.6	3.4	23.6	32.4
UNEP	20.5	8.9	9.7	56.3	4.3	4.1	37.1	45.7

Source: Data provided by UNODC, UNHCR, UNRWA and UNEP.

[a] *Total core comprises both United Nations regular budget (UNRB) and other core resources.*

6. A restructuring in 2003 created a consolidated programme for drugs and crime. On a consolidated basis, UNRB resources increased by some 62 per cent between 2000 and 2005 in UNODC, but declined as a proportion of total resources. Non-core resources grew nearly four times faster than total core resources, so that the proportion of non-core in total resources rose sharply from some 67 to 77 per cent. The declining proportion and unpredictability of general purpose funds has been a particular challenge to UNODC in delivering its mandated drugs programme. The need to secure assured and predictable voluntary funding for this programme has been the subject of recent resolutions of its governing body.[2]

7. The statute of UNHCR provides that the administrative expenses of the Office shall be met from United Nations regular budget resources (see paragraph 13, footnote 5 above). While funding from this source increased by some 96 per cent between 2000 and 2005, it remained less than 4 per cent of total resources in 2005 and a sizeable proportion of the administrative expenses were being met from voluntary contributions. With total core resources increasing faster than non-core resources in this period, the proportion of non-core in total resources fell slightly. Private sector fund-raising initiatives doubled resources from this sector between 2000 and 2005, but its share in overall resources remained very small at less than 3 per cent.

8. UNRWA receives United Nations regular budget resources to fund its international staff, but this constituted less than 4 per cent of total resources in 2005. Most of the UNRWA regular budget and all of its projects and emergency budgets are dependent on voluntary contributions. UNRWA core activities are implemented with funds stemming from its regular budget and donors usually contribute unearmarked funds for this purpose. All contributions to projects and emergency activities are earmarked, and overall there has been a tendency to more earmarking, with the proportion of non-core resources in total resources rising from some 24 to 32 per cent between 2000 and 2005, although UNRWA is not greatly concerned by this growth.

9. There is provision for United Nations regular budget funding of the costs of the UNEP governing body and a small secretariat (paragraph 13, footnote 5 above). As voluntary funding has increased, both as unearmarked contributions to the Environment Fund and earmarked contributions to a growing number of trust funds, so the proportion of United Nations regular budget resources in total resources has fallen, to some 4 per cent in 2005. In the period 2000-2005, non-core resources grew more rapidly than total core resources, so that

[2] Commission on Narcotic Drugs, resolutions 46/9 and 48/3.

the proportion of non-core in total resources rose from some 37 to 46 per cent. Some of this increase was attributable to specific factors, however, including funding for the Rotterdam and Stockholm Conventions.

10. The United Nations Human Settlements Programme (UN-HABITAT) also receives income for core mandated activities from United Nations regular budget resources. In 2004, 20 per cent of total income was unearmarked (9 per cent regular budget resources and 11 per cent core, general purpose voluntary contributions); the rest was voluntary contributions earmarked to specific projects in specific countries.[3]

Specialized agencies and IAEA

11. In the period reviewed, voluntary contributions fluctuated from year to year in most of the agencies, and hence the growth rates may be influenced by year-specific factors and should be interpreted with caution.

Table 3

Specialized agencies[a] and IAEA

	Rate of growth, 2000-2005[b] *(per cent)*		Extrabudgetary resources as a proportion of total resources *(per cent)*	
	Regular budget resources	**Extra-budgetary resources**	**2000**	**2005**
ILO	13.3	36.2	35.7	40.0
FAO	16.9	2.1	49.7	46.3
UNESCO	12.0	70.6	42.9	53.3
WHO	1.0	53.8	60.3	69.8
ITU	-4.4	-5.4	11.1	11.0
WMO	0.8	7.0	25.7	26.8
IMO	43.9	62.7	21.7	23.8
UNIDO	47.7	151.5	51.1	64.1
UNWTO	56.9	102.6	6.5	8.2
IAEA	28.1	45.7	27.8	30.4

Source: Data provided by specialized agencies and IAEA

[a] *Excluding ICAO and WIPO, which derive a large part of their income from other sources.*
[b] *Data in currencies other than United States dollars converted to dollars using United Nations operational rates of exchange; exchange ratios are therefore reflected in some of these growth rates.*

12. ILO receives voluntary contributions from member countries and partner organizations, mostly for technical cooperation programmes or projects. With some fluctuations, extrabudgetary resources rose between 2000 and 2005 by some 36 per cent, against an increase in regular budget resources of some 13 per cent, and the proportion of extrabudgetary resources in total resources rose slightly to 40 per cent. Most voluntary contributions were earmarked to specific programmes or projects.

[3] UN-HABITAT Annual Report 2005, p. 33.

13. Voluntary contributions to FAO relate to donor-funded technical cooperation. There were mild fluctuations in extrabudgetary resources in the period considered, giving a growth rate of about 2 per cent. A rise in 2004-2005 was mainly linked to assistance in emergencies and unilateral trust fund agreements. With zero nominal growth in the regular budget for several bienniums, assessed contributions were static until 2004-2005, the increase in that biennium accounting for the 17 per cent increase for the period. The proportion of extrabudgetary resources in total resources fell slightly between 2000 and 2005. Most voluntary contributions were earmarked.

14. UNESCO has experienced zero nominal growth in the regular budget in most recent bienniums, and the share of extrabudgetary resources in total resources rose by some 10 percentage points between 2000 and 2005, to more than 50 per cent. However, there were strong fluctuations in the growth in extrabudgetary resources in this time period, partly reflecting specific factors such as allocations to a large self-benefiting fund-in-trust for one country, as well as the oil-for-food programme. All voluntary contributions were earmarked to specific programmes or projects, countries or regions.

15. At WHO, the changing balance between assessed and voluntary contributions has been particularly significant, with a clear upward trend in extrabudgetary (supplementary) funding, against a background of virtually zero growth in regular budget resources. This trend was set to continue in 2006-2007, with 72 per cent of resources in the programme budget estimated to come from voluntary sources, the highest proportion ever. All technical areas of work depended heavily on voluntary contributions. Approximately 80 per cent of voluntary funding was "specified" – earmarked to particular areas and activities – although in many cases these specified funds were mobilized by individual areas of work and the donors were responding to WHO expectations. Unspecified funds were pooled at department, area of work or organizational level, depending on the degree of flexibility permitted by each donor.

16. In UNIDO, there has been rapid growth in voluntary contributions, with a clear upward trend for three bienniums, and the proportion of extrabudgetary resources in total resources rising to some 64 per cent. UNIDO has been subject to zero real growth in the regular budget for several bienniums; the 48 per cent growth in regular budget resources was influenced by exchange rate fluctuations. Voluntary contributions finance technical cooperation under three main priority themes, the largest of which – energy and the environment – is carried out in close cooperation with, and mostly funded by, the Global Environment Facility and the Montreal Protocol. Nearly all voluntary contributions were earmarked to specific projects in specific countries.

17. Among the smaller agencies, voluntary contributions fluctuated in the period considered; a clear upward trend was discernible only in the World Tourism Organization (UNWTO). The fluctuations were particularly severe in IMO, affecting the timely implementation of technical cooperation programmes, particularly where IMO seeks extrabudgetary funds to match to its own resources. All voluntary contributions were fully earmarked in ICAO, IMO, the International Telecommunication Union (ITU), the World Intellectual Property Organization (WIPO) and UNWTO and largely so in the Universal Postal Union (UPU) and the World Meteorological Organization (WMO).

18. IAEA has traditionally received the greater proportion of its funding from assessed contributions, with extrabudgetary resources funding the technical cooperation programme and some joint activities. While regular budget resources still predominate, voluntary funding has become more important in the last decade, against a background of zero real growth in the regular budget up to 2004. A notable change has been the establishment in 2002 of a new programme for nuclear safety and security, which is 90 per cent funded from extrabudgetary resources.

Annex II

RESOURCE MOBILIZATION: STRATEGIES AND CURRENT PRACTICES

	Resource mobilization strategy	Current structures and practices for resource mobilization
United Nations offices, funds and programmes		
OHCHR	"A Funding Strategy" (internal document, 1999); subsequently amended according to priorities, and will be further developed in the context of the Strategic Management Plan (SMP) 2006-2007.	SMP is also a resource mobilization tool, indicating priorities and resource requirements, both regular and extrabudgetary. Resource Mobilization Unit (RMU) serves as a focal point for fund-raising, including field activities. Annual work plan of RMU defines specific funding objectives and activities and supplements SMP. RMU works in close collaboration with the substantive divisions and has regular contacts with the permanent missions. Substantive divisions address their requirements to RMU which approaches donors as needed; there is no direct fund-raising by the substantive divisions.
UNICEF	"The UNICEF resource mobilization strategy" (E/ICEF/1999/5), Executive Board (EB) decision 1999/8. A new strategy was being developed in 2006 to align with the current orientation of the funding environment.	Under the guidance of the Executive Director, five fund-raising units are responsible for the execution of the strategy: Programme Funding Office (coordinating relationships with donor governments), Private Sector Division, Geneva Regional Office (coordinating funding of the National Committees), Brussels and Tokyo. Due to the decentralized structure, UNICEF representatives are involved in fund-raising with government representatives and the private sector at the country level.
UNDP	"UNDP funding strategy", EB decision 98/23, and "Multi-year funding framework", EB decision 99/1, both reaffirmed by EB decision 2002/9.	Bureau for Resources and Strategic Partnerships was established in 2000 to strengthen the resource mobilization function of UNDP, and particularly its institutional capacity to forge new partnerships. Resources are mobilized at the corporate, regional and country levels.
UNFPA	"UNFPA funding strategy", EB decision 98/24, included the development of a MYFF. Further development of UNFPA resource mobilization strategy requested by EB decision 2000/9.	Formal resource mobilization strategy is being developed; all country offices have been requested to draft a fund-raising strategy for their own country programme that will feed into the corporate strategy. Several units will be responsible for the implementation of the strategy, but Resource Mobilization Branch will be the focal point.
WFP	"A resource mobilization strategy for the World Food Programme" (WFP/EB.3/2000/3-B), approved as amended by EB decision 2000/EB.3/2. "New partnerships to meet rising needs – expanding the WFP donor base" (WFP/EB.3/2004/4-C) approved by EB decision 2004/EB.3/4.	Prior to 2001, fund-raising was highly centralized; since 2002 there has been decentralization, including the donor relations offices with the United States and the European Commission, strengthening of the office in Japan, and new bureaux in other capitals. The Fundraising and Communications Department was established in 2003 reporting to a Deputy Executive Director and made up of five departments dealing with donor relations, major donors, the private sector and communications.

	Resource mobilization strategy	Current structures and practices for resource mobilization
United Nations offices, funds and programmes (cont'd)		
UNODC	"Fund Raising, Policy and Procedures" (Management Instruction, UNODC/MI/6/Rev.1, 2004) and other internal documents form the basis of a strategy.	Co-financing and Partnership Section (CPS) has the lead and the coordination function, but all units can undertake fund-raising, including field offices. At the field level, requests to local representatives of donor Governments have to go to the capitals, as well as through the coordination of CPS. Work plan of CPS identifies goals and expected results, with an emphasis on broadening the donor base and partnerships.
UNHCR	"Guiding principles applicable to the resourcing of UNHCR's unified budget" and "Decision on mobilizing resources for a unified budget: the Pledging Conference", (EC/50/SC/CRP.23), adopted by the Executive Committee in 2000. Agreement on a new fund raising strategy is among the management performance targets for 2006 (Global Appeal 2006).	Within the Division of External Relations, the Donor Relations and Resource Mobilization Service has a broad field of work in resource mobilization, but representatives in donor capitals, representatives in field operations, and bureaux/desks also have clearly defined roles and responsibilities, which are set out in an internal document of 2003. Private Sector and Public Affairs Service takes the lead in private sector fund-raising, and also provides internal guidelines.
UNRWA	Within the framework of the 2006-2009 organizational development process, the External Relations Department (ERD) is currently drafting a resource mobilization strategy.	ERD will be responsible for implementing the resource mobilization strategy once formalized and approved. Direct contact with donors is mainly the purview of the Commissioner-General and ERD, but, under clear rules, directors of field offices also maintain close contact, and are encouraged to do so. A dedicated unit has been set up to raise funds from the NGO and private sectors, and the Arab region.
UNEP	"Draft resource mobilization strategy of the United Nations Environment Programme" (UNEP/GC.21/7/Add.1, December 2000) adopted by Governing Council decision 21/32 in 2001.	Resource Mobilization Unit (RMU) is responsible for coordinating activities, working directly with donors and all divisions and reporting to the Deputy Executive Director. The strategy envisaged the delegation of fund-raising initiatives to a wider range of staff members, including division directors and regional directors. Professional staff make direct contact with donor counterparts to mobilize resources, but RMU coordinates proposals received and projects are selected according to set priorities.
UN-HABITAT	Work has started on an enhanced donor mobilization strategy to be spearheaded by the new Deputy Executive Director appointed in January 2006, under the leadership of the Executive Director.	Directors act as focal points for resource mobilization and have the authority to negotiate with donors. The main task of the Deputy Executive Director is to revitalize and oversee the management of the Habitat and Human Settlements Foundation, which is anchored in the Human Settlements Financing Division created in 2004.
UNCTAD	Resource mobilization strategy is contained in the Technical Cooperation Strategy. (TD/B/50/14 (Vol. I)).	Technical Cooperation Service is responsible for implementing the strategy. Individual divisions, branches, sections and staff dealing with technical cooperation can make direct contact with donors, but some donors prefer to deal with a single entity (Technical Cooperation Service).

	Resource mobilization strategy	Current structures and practices for resource mobilization
Specialized agencies and IAEA		
ILO	"Resource mobilization: Strategy and implementation" (GB.291/TC/1, sect. II); Governing Body (GB) decision in 2004 requested the Office to implement the strategy (GB.291/PV).	Partnerships and Development Cooperation Department (PARDEV) is responsible for the execution of the strategy. An internal work plan has been elaborated based on: more and better partnership programmes with donor agencies; increased local resource mobilization; promotion of public/private partnerships; response to competitive opportunities; and product development and packaging.
FAO	No formal comprehensive strategy at the overall corporate level, but in the light of ongoing United Nations reforms, it is intended to develop such a strategy in the near future. A resource mobilization strategy is being elaborated for emergency operations.	Resource mobilization is a corporate responsibility and all staff are encouraged to maintain an active dialogue with donors. Formal negotiations and conclusion of funding agreements is made by the Technical Cooperation Department (at the central level) and FAO Representatives in the countries concerned (up to a specified amount). Field Programme Development Service coordinates extrabudgetary funding from multilateral and bilateral sources for long-term development projects and programmes. Funding from the private sector as well as from local authorities is coordinated by a specific unit. Resource mobilization for emergency and rehabilitation projects and programmes is coordinated and managed by the Emergency Operations and Rehabilitation Division. Field level offices are increasingly involved in resource mobilization and often engage with donors directly at the country level, as more funding decisions are decentralized to the field.
UNESCO	Proposed strategy being reviewed by the Director-General.	"UNESCO's extrabudgetary activities. A practical guide" (2004) presents policies, procedures and practices that govern activities under extrabudgetary contributions. Division for Cooperation with Extrabudgetary Funding Sources is the interface between programme managers in headquarters/field and the donors. Programme/project managers can make direct approaches to donors, but all donations should be approved centrally.
ICAO	No formal organization-wide strategy.	No formal location or focal point for resource mobilization.
WHO	"Resource Mobilization Framework" (internal document, 2005), provides the basis for further consultations and the development of resource mobilization policies and strategies.	Department of Planning, Resource Coordination and Performance Monitoring coordinates resource mobilization at the corporate level, cooperating closely with the headquarters clusters and the regional offices through the Global Resource Mobilization Team Mechanism. Traditionally, departments and key technical staff have maintained close direct contacts with potential donors, but the corporate approach is being strengthened (pooled funding/corporate account initiative). Direct contact is important for the private sector, foundations and NGOs.
UPU	No clear strategy has been defined.	Direct contacts are made in order to finance specific projects, mainly cooperation and development projects, by the divisions responsible for them.

	Resource mobilization strategy	Current structures and practices for resource mobilization
Specialized agencies and IAEA (cont'd)		
ITU	A formal strategy exists.	Partnership and Promotion Unit deals with resource mobilization, relationships with partners, follow-up.
WMO	Steering Committee established in 2004 to develop and implement overall policy and strategy for resource mobilization.	For voluntary contributions to finance regular budget activities, direct contact with donors can be made by departments/divisions/individuals; for technical cooperation, Regional and Technical Cooperation Activities for Development (RCD) contacts and negotiates with donors.
IMO	"Long-term funding and resource mobilization strategy" (TC 46/4, 1998). A new strategy is currently being formulated.	Technical Cooperation Committee and the Technical Cooperation Division (TCD) are responsible for the execution of the strategy. Programme managers can make direct contact with the donors, but TCD coordinates resource mobilization and reports to the governing body.
WIPO	The 2006/07 Program and Budget established the function of resource mobilization with the aim of designing and implementing a more proactive strategy for extrabudgetary resource mobilization.	Programme managers across WIPO may initiate contact directly with donors to seek funding. However, the Section for Mobilization of Extrabudgetary Resources in the Coordination Sector for External Relations is responsible for the identification, development and internal coordination of new extrabudgetary opportunities for the Organization.
UNIDO	No formal strategy. The Director-General has called for a special task force on funds mobilization and a paper is being prepared.	The central resource mobilization and coordinating function lies with the Strategic Partnerships and Resource Mobilization Group. Decentralized responsibility for resource mobilization lies with country offices, technical offices and integrated programme teams, although agreements are finalized at headquarters. Partnerships at the country level are central to the approach to resource mobilization.
UNWTO	Resource mobilization strategy exists, but not in writing.	Responsibility for execution of the strategy, including direct contact with the donors, lies with the Technical Cooperation Service/Sustainable Tourism – Eliminating Poverty (ST-EP) programme and regional representatives.
IAEA	No formal corporate strategy. Current proposal is for a resource mobilization framework similar to WHO.	There are internal procedures for solicitation of voluntary contributions. Rules regarding the acceptance of voluntary contributions are in force (INFCIRC/370/Rev.2, 2004). For the Technical Cooperation programme, unfunded projects or activities are identified during the programme design process. In some cases, the programme management officer, in cooperation with the in-country project counterpart, is able to identify funding sources; otherwise, the Division of Programme Support and Coordination (Department of Technical Cooperation) is asked to undertake resource mobilization. For nuclear security, the Office of Nuclear Security implements a strategy directly, involving periodic meetings with the donors. For the Programme of Action for Cancer Therapy (PACT), the PACT programme office is in charge of donor relations.

Annex III

Overview on action to be taken by participating organizations on JIU recommendations

		United Nations and its Funds and Programmes											Specialized Agencies and IAEA												
		United Nations *	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	For information and review	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 1			L	L		L	L	L	L	L	L	L													
Recommendation 2		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 3		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 4		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 5		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 6		L	L	L		L	L	L	L	L	L			L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 7		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E

Legend: **L:** Recommendation for decision by legislative organ
E: Recommendation for action by executive head
Blank: Recommendation does not require action by this organization

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-HABITAT, UNHCR, UNRWA.

United Nations A/62/547–S/2007/672

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Security Council

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General Assembly
Sixty-second session
Agenda item 17
The situation in the Middle East

Security Council
Sixty-second year

Letter dated 9 November 2007 from the Permanent Representatives of Iraq and Turkey to the United Nations addressed to the Secretary-General

As you know, the second enlarged meeting of the Foreign Ministers of the Countries Neighbouring Iraq was held in Istanbul on 2 and 3 November 2007.

In addition to Iraq's neighbouring countries, Egypt, Bahrain, the permanent members of the United Nations Security Council and the Group of Eight, as well as the United Nations, the League of Arab States and the European Union were represented at the meeting.

Upon instructions from our respective Governments, we request that you kindly circulate the present letter and the final communiqué of the Istanbul meeting (see annex) as a document of the General Assembly, under agenda item 17, and of the Security Council.

(*Signed*) Hamid **Al Bayati**
Ambassador
Permanent Representative of Iraq to the United Nations

(*Signed*) Baki **İlkin**
Ambassador
Permanent Representative of Turkey to the United Nations

07-60342 (E) 201107

Annex to the letter dated 9 November 2007 from the Permanent Representatives of Iraq and Turkey to the United Nations addressed to the Secretary-General

Final communiqué of the Ministerial Conference of the Countries Neighbouring Iraq, Egypt, Bahrain, the permanent members of the Security Council and the Group of Eight

Istanbul, 3 November 2007

Upon the invitation of the Republic of Turkey and the Republic of Iraq, the Foreign Ministers of the Countries Neighbouring Iraq, Egypt, Bahrain and the permanent members of the United Nations Security Council and the G-8 held a meeting in Istanbul, Turkey, on 3 November 2007. The United Nations, the Organization of the Islamic Conference, the Arab League and the European Union also took part in the meeting. The meeting was designed to contribute concretely to the efforts of the Government and the people of Iraq to restore permanent peace, stability, and prosperity in their country through invigoration of the existing national reconciliation dialogue, in combating terrorism, strengthening the rule of law and widening participation in the political process. The meeting also serves to help create a stable atmosphere for Iraq and provide an ongoing standing forum for sustained active and energetic support to the Iraqi Government and Iraqi people. The meeting also served the purpose of the participant countries to reiterate their commitment to Iraq's territorial integrity, unity, full sovereignty and independence.

Their Highnesses and Excellencies who participated in the meeting were:

Bahrain	Foreign Minister H.E. Sheikh Khalid Bin Ahmed Al Khalifa
Canada	H.E. Deepak Obhrai, Parliamentary Secretary to the Foreign Minister in charge of Asia-Pacific and Africa
China	Deputy Foreign Minister H.E. Wu Dawei
Egypt	Foreign Minister H.E. Ahmed Aboul Gheith
France	Foreign Minister H.E. Bernard Kouchner
Germany	Foreign Minister H.E. Frank Walter Steinmeier
Iran	Foreign Minister H.E. Manouchehr Mottaki
Iraq	Foreign Minister H.E. Hoshyar Zebari
Italy	Deputy Foreign Minister H.E. Ugo Intini
Japan	Deputy Foreign Minister H.E. Onodera Itsunori
Jordan	Foreign Minister H.E. Abdelelah Al Khatib
Kuwait	Foreign Minister H.E. Sheikh Mohammed Sabah Al Salim Al Sabah
Russian Federation	Deputy Foreign Minister H.E. Alexander Saltanov

Kingdom of Saudi Arabia	Foreign Minister H.E. Prince Saud Al-Faisal
Syria	Foreign Minister H.E. Walid Al-Moualem
Turkey	Foreign Minister H.E. Ali Babacan
United Kingdom	Deputy Foreign Minister H.E. Kim Howells
United States of America	Secretary of State H.E. Condoleezza Rice
United Nations	Secretary General H.E. Ban Ki-moon
EU Presidency (Portugal)	Foreign Minister H.E. Luis Amado
Secretariat of the Council of the EU	Representative Sophie Kisling
EU Commission	Commissioner H.E. Benita Ferrero Waldner
League of Arab States	Secretary General H.E. Amre Moussa
Organization of Islamic Conference	Secretary General H.E. Ekmeleddin İhsanoğlu

The participants agreed to:

1. Reaffirm the independence, full sovereignty, national unity, territorial integrity, Arab and Islamic identity of Iraq; commit to the preservation of Iraq's internationally recognized borders; and pledge adherence to the principle of non-interference in Iraq's internal affairs.

2. Reaffirm full support of the efforts of the constitutionally based, elected Government and Council of Representatives of Iraq to achieve, in a speedy and effective manner, the goals of the Iraqi people for a prosperous, free, independent, united, democratic, and federal Iraq, and the basic right of all Iraqi citizens to participate peacefully in the ongoing political process.

3. Reconfirm the international community's as well as neighbours' commitment to promote peace, stability, and security in Iraq for the people of Iraq, the region, and the international community as a whole.

4. Recognize the value and importance of an ongoing and continuous expanded neighbours process; endorse the forming by the Iraqi Government an ad hoc expanded neighbours "support mechanism" in Baghdad, which will regularly review progress in implementing the conclusions reached at the ministerial meetings and disseminate the information in a timely manner; and welcome the United Nations offer to provide resources to such a "support mechanism", the terms and the mission to be agreed upon by the members of the expanded neighbours process.

5. Reaffirm working groups' functions to provide essential input and recommendations for political level neighbours meetings to enable them to take concrete decisions and contribute to Iraq's ongoing process, as well as regional stability, and in this context, endorse the recommendations proposed by the three working groups already convened and decide to maintain as long as required these working

groups on energy, security, and refugees created at the first expanded neighbours conference held in Sharm el Sheikh; convene as soon as possible the next sessions of these groups on security in Damascus, energy in İstanbul, and displaced persons in Amman, respectively; and invite these groups to submit their progress reports to the next ministerial meeting of the expanded neighbouring countries.

6. Welcome the Iraqi Government's efforts to strengthen the institutions of the representative government, reinforce political dialogue and national reconciliation, assist vulnerable groups, including refugees and internally displaced persons, and promote the protection of human rights and judicial and legal reform, and to foster strong and constructive relations with neighbouring countries.

7. Acknowledge the significance of reaching a common vision of the unity of the people of Iraq among the political parties; and encourage Iraqis to engage in comprehensive political dialogue and national reconciliation for the sake of Iraq's political stability and unity.

8. Welcome the common understanding put forward in the Final Communiqué of the Meeting of the Political Leaders of Iraq and encourage the Government of Iraq to achieve progress on enactment of legislation such as the justice and accountability law; constitutional amendments, gas and oil law, and a financial revenues law; and encourage the Government of Iraq to welcome all Iraqis not guilty of war crimes who disavow violence and terror into the political process.

9. Welcome the Iraqi Government's commitment to disarm and dismantle all militias and illegally armed groups, enforcing the rule of law, and ensuring the State's monopoly on armed forces.

10. Highlight the richness of the multicultural, multisectarian, and multi-ethnic structure of Iraq and the importance of securing and respecting peaceful coexistence of all communities, as well as the Iraqi identity, for the future of Iraq.

11. Call upon UNESCO, ALECSO, ISESCO and IRCICA to contribute to the preservation and revitalization of the historical heritage of Iraq that has been destroyed or damaged due to the war, and welcome active support from the neighbours and international community for this effort.

12. Urge all parties within Iraq to take steps to ensure the protection of civilians and create conditions conducive to the voluntary, safe, dignified, and sustainable return of refugees and internally displaced persons.

13. Recognize the obligation of Iraq and the international community to protect and assist displaced Iraqis by addressing their immediate and foreseeable needs and safeguarding their safety; acknowledge the determined endeavours of the Syrian and Jordanian Governments in generously hosting the Iraqi displaced persons; and urge the international community to increase its support for the Iraqi displaced persons.

14. Commit to delivery of humanitarian and economic assistance in coordination with the Government of Iraq, also by contributing to the International Reconstruction Fund Facility for Iraq.

15. Acknowledge the importance of the International Compact with Iraq and commit to assist the Government of Iraq through political and economic reform, capacity-building, and providing conditions for sustainable development, in this context welcoming the decision of the Paris Club, and call on all States to move forward in addressing Iraq's foreign debt burden.

16. Welcome the new Special Representative of the Secretary-General for Iraq, Staffan de Mistura; support the efforts of the United Nations under Security Council resolution 1770 (2007); and recognize UNAMI's key role, at the request of the Government of Iraq, in assisting and supporting Iraq in promoting national reconciliation and regional dialogue, facilitating elections, implementing constitutional provisions, protecting internally displaced persons and refugees, providing humanitarian relief, and resolving disputed internal boundaries.

17. Urge the maintaining or opening of diplomatic missions in Iraq in an effort to improve bilateral relations.

18. Condemn all acts of terrorism in all its forms in Iraq, call for the immediate cessation of all such acts, support the Iraqi Government's increasing efforts in combating terrorism including all efforts to prevent Iraqi territory from being used as a base for terrorism against neighbouring countries, and take note of the bilateral arrangements concluded between Iraq and neighbouring countries regarding the fight against terrorism.

19. Reaffirm the obligations of all States, in accordance with international law, relevant international agreements, Security Council resolution 1546 (2004) and other relevant resolutions, to combat terrorist activities and prevent the use by terrorists of their territory for supplying, organizing, and launching terrorist operations.

20. Support the joint efforts of Iraq and its neighbouring countries to prevent the transit of terrorists and illegal arms to and from Iraq, re-emphasize the importance of strengthening cooperation between Iraq and its neighbouring countries to control their common borders and prevent all kinds of illicit trafficking, including financial, logistical and all other support for terrorists and terrorist organizations; and reject all use of language that encourages violence and terror.

21. Reconfirm the decisions of the neighbouring countries interior ministers meetings and welcome the conclusions of the last neighbouring countries interior ministers meeting which took place in Kuwait on 23 October 2007.

22. Commend Iraq's neighbours, Egypt and Bahrain for their continued efforts to help Iraq achieve stability, security, unity, and territorial integrity; and underline the importance of the involvement of the League of Arab States and the Organization of the Islamic Conference in

supporting the Iraqi reconciliation process; in this context, reaffirm support for the initiative of the League of Arab States to achieve Iraqi national reconciliation and dialogue, and welcome the initiative of OIC to convene the follow-up meeting of the Mecca Declaration.

23. Take note of the proposal of the Iraqi Council of Representatives to convene a meeting of the Foreign Relations Committees of the neighbouring countries' parliaments next year, to promote an improved political atmosphere and enhance common understanding in order to fulfil the tasks agreed upon at the expanded neighbouring countries conference.

The participants expressed their appreciation to the Republic of Turkey for hosting the conference, and also agreed to hold the next ministerial meeting in Kuwait.

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General Assembly

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Sixty-second session
Agenda item 140
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Transfer of buildings to the United Nations Logistics Base at Brindisi

Note by the Secretary-General

Summary

The present note contains a proposal for the acceptance of 6 additional buildings and 12 open areas pledged by the Government of Italy in support of the United Nations Logistics Base at Brindisi.

The action to be taken by the General Assembly is set out in paragraph 8.

07-60242 (E) 191107

1. The United Nations Logistics Base at Brindisi, Italy (UNLB), has been in operation since late 1994, under a rent-free arrangement with Italy. The arrangement is governed by a memorandum of understanding between the Government of Italy and the United Nations regarding the use by the United Nations of the premises on military installations in Italy for support of peacekeeping, humanitarian and related operations, concluded on 25 November 1994 and amended on 7 December 2001 to include three additional premises.

2. In its decision 58/557, the General Assembly, inter alia, took note of the note by the Secretary-General on the proposal for the acceptance of five additional buildings pledged by the Government of Italy to UNLB[1] and the related report of the Advisory Committee on Administrative and Budget Questions.[2] By the same decision, the Assembly approved the transfer of five additional buildings pledged by the Government of Italy to UNLB. The five buildings, with a total floor space of 1,760 m^2, are located within the UNLB premises and had been identified in discussions with the Italian authorities with a view to accommodating UNLB operations and the strategic deployment stocks assets.

3. The Government of Italy has subsequently indicated its willingness to further transfer to UNLB 6 additional buildings with a total floor space of 6,805 m^2, as well as 12 open areas of 70,739 m^2. The buildings, which are located within the UNLB premises, have been identified in discussions with the Italian authorities with a view to accommodating the logistical and support requirements stemming from the surge in peacekeeping operations.

4. Taking into account the 5-buildings transfer, which was approved by the General Assembly in its decision 58/557, a total of 11 additional buildings with a combined floor space of 8,565 m^2, as well as 12 open areas of 70,739 m^2 would be made available to UNLB. As part of an overall reconfiguration of the Logistics Base, the buildings would be used to house the UNLB headquarters, including all administrative sections, the Air Operations Unit and the staff cafeteria, while open areas not adjacent to buildings would accommodate increased storage space requirements for assets and materials and assets deployment operations.

5. The market rental value of the equivalent total space of the six additional buildings and open areas indicated in paragraph 3 above is estimated on an annualized basis at around $600,000. The alternative of constructing containerized offices other than the development of the 600 m^2 satellite farm envisaged and provided for in the 2007/08 period would interfere with the logistical and aviation operations of the Logistics Base.

6. Under the principles established in article V of the memorandum of understanding between the Government of Italy and the United Nations on exclusive use of premises, the United Nations would renovate 9 of the 11 buildings at an estimated cost of $3 million, as well as all of the open areas at an estimated cost of $600,000. Thereafter, the cost of maintenance, estimated at $350,000 per annum for the 11 buildings and $20,000 per annum for all of the open areas, must be borne by the United Nations.

[1] A/58/596.
[2] A/58/609.

7. The proposed budget for the period from 1 July 2008 to 30 June 2009 for the United Nations Logistics Base would include provisions for the renovation of the buildings and open areas.

8. **The acceptance of the 6 additional buildings and 12 open areas, while being cost-effective overall for the Organization in the long term, would involve an additional financial liability for the United Nations in respect of the cost of maintenance of the buildings and open areas. The approval of the General Assembly is therefore sought, consistent with financial regulation 3.11. Upon approval, an amendment to the memorandum of understanding between the Government of Italy and the United Nations regarding the use by the United Nations of the facilities will be concluded.**

United Nations A/62/549

General Assembly

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Sixty-second session
Agenda item 114 (h)
Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Joint Inspection Unit

Appointment of a member of the Joint Inspection Unit

Note by the President of the General Assembly

1. As indicated in paragraph 2 of the note by the Secretary-General (A/62/174) of 31 July 2007, the General Assembly is required, during its current session, to appoint one member of the Joint Inspection Unit (JIU) to fill the vacancy that resulted from the resignation of Inspector Juan Luis Larrabure (Peru) effective 30 September 2007. In accordance with article 4, paragraph 2, of the statute, the person so appointed will serve for a full term. By its decision 62/402 of 9 October 2007, the General Assembly decided that the term of office of the person appointed to fill the vacancy will begin on 1 January 2008 and expire on 31 December 2012, in order to align the term of office with that of other inspectors.

2. In accordance with the procedures described in article 3, paragraph 1, of the statute of the Joint Inspection Unit (see A/62/174), the President of the General Assembly, having consulted the regional group concerned, determined that Peru should be requested to propose a candidate to replace Mr. Larrabure (see annex I).

3. The candidate, in accordance with paragraph 7 of General Assembly resolution 59/267 of 23 December 2004, should have experience in at least one of the fields as follows: oversight, audit, inspection, investigation, evaluation, finance, project evaluation, programme evaluation, human resources management, management, public administration, monitoring and/or programme performance, as well as knowledge of the United Nations system and its role in international relations.

4. The President of the Assembly has held the consultations prescribed in article 3, paragraph 2, of the statute of the Joint Inspection Unit, including consultations with the President of the Economic and Social Council and with the Secretary-General in his capacity as Chairman of the United Nations System Chief Executives Board for Coordination. The replies received from the President of the Council and from the Secretary-General to identical letters addressed to them on 17 October 2007 by the President of the Assembly are annexed (see annexes II and III).

07-60471 (E) 281107 031207

5. Having completed the required consultations, the President of the General Assembly has the honour to submit to the Assembly the following candidate for appointment as a member of Joint Inspection Unit for a five-year term beginning on 1 January 2008 and expiring on 31 December 2012:

Mr. Enrique Román-Morey (Peru)

Annex I

[Original: Spanish]

Letter dated 15 October 2007 from the Permanent Representative of Peru to the United Nations addressed to the President of the General Assembly

I have the honour to refer to the decision of 9 October 2007, adopted by the General Assembly, to invite Peru to propose a candidate to replace Mr. Juan Luis Larrabure as a member of the Joint Inspection Unit for a full term of office, from 1 January 2008 to 31 December 2012, in accordance with article 4, paragraph 2, of the statute of the Joint Inspection Unit.

I have the honour to inform you that the Government of Peru has decided to submit the candidacy of Ambassador Enrique Román-Morey for the aforesaid position of inspector in the Joint Inspection Unit. His curriculum vitae is enclosed herewith (see appendix).

(*Signed*) Jorge **Voto-Bernales**
Ambassador
Permanent Representative

Appendix

[Original: Spanish]

Curriculum vitae

Enrique Román-Morey

Current position:	Ambassador Extraordinary and Plenipotentiary of Peru to the Republic of Cuba
Nationality:	Peruvian
Profession:	Career diplomat, Ambassador in the Diplomatic Service of theRepublic of Peru

Born in the city of El Callao, Peru, Ambassador Román-Morey received his secondary education in Lima and in Washington, D.C. and attended university in the United States of America, Peru and Mexico. He holds a first-level university degree (*licenciatura*) and master's degree in international relations from the Diplomatic Academy of Peru, a master's degree in political science from the Ibero-American University of Mexico and a doctorate honoris causa in international law from the Mexican Academy of International Law. A career diplomat in the Peruvian Foreign Service, he graduated from the Diplomatic Academy of Peru in 1970.

Professional experience

Diplomatic missions abroad

In the course of his professional career, he has served as follows in the embassies of Peru in:

- Switzerland, as Third Secretary, 1971-1973;
- Canada, as Second Secretary, 1973-1975;
- Italy, as Second Secretary and First Secretary, 1975-1977;
- Socialist Federal Republic of Yugoslavia, as chargé d'affaires, 1979-1981;
- Bolivia, as Consul General of Peru, 1981-1985;
- Arab Republic of Egypt, as Counsellor, 1985-1987;
- Mexico, as Minister Counsellor and Minister, 1989-1993.

In the Ministry of Foreign Affairs of Peru

The posts he has held have included the following:

- Chief of the Department of Maritime Sovereignty in the Directorate of Political and Diplomatic Affairs;
- Chief of the North America, Central America and Caribbean Department in the Office of the Assistant Secretary for Bilateral Policy;
- Assistant Director and subsequently Director of African and Middle Eastern Affairs in the Office of the Assistant Secretary for Foreign Policy;

- Director of the Executive Office of the Deputy Minister for Foreign Affairs and Secretary-General for Foreign Affairs;
- Adviser to the Minister for Foreign Affairs for Multilateral Affairs;
- Special Adviser to the Minister for Foreign Affairs for Disarmament and Security Affairs.

Throughout his career, he has represented his country at countless international conferences and events, particularly at the multilateral level. In 2004, he was Peru's candidate for the post of Director-General of the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), headquartered in Vienna, Austria.

In international organizations

Secretary-General of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL)

As the official candidate of Peru, he was elected by the General Conference of OPANAL at its thirteenth session, in 1993, for a four-year term. Because of his success in directing the agency, he was subsequently elected by acclamation for an unprecedented second term by the General Conference of OPANAL at its fifteenth session, held in Mexico on 10 July 1997. During his two terms of office, Ambassador Román-Morey discharged his high-level international mandate in two main areas.

In the political area: at the time of his election, the membership of OPANAL consisted of only 24 States in the Latin American and Caribbean region. Mandated by the OPANAL General Conference, he made it his personal goal to ensure the regional universality of the agency, which he achieved when major regional actors in the nuclear area became full members. Argentina, Brazil and Chile thus became parties to the Treaty of Tlatelolco in 1994 and Cuba signed the Treaty and its Amendments in 1995. By 1997 the remaining Caribbean countries had also become full parties to the Treaty.

In the administrative area: the main challenge was to manage in a balanced and efficient manner the contributions paid by member States, while overseeing both the general budget of the agency and the sound management of its human resources. During his term of office he found it necessary to implement a rigorous programme of austerity measures and appropriate management of resources, which earned him commendations at various sessions of the OPANAL General Conference for his successful management.

In his capacity as Secretary-General of OPANAL, he participated as a special speaker in:

- The General Assembly of the United Nations;
- The General Assembly of the Organization of American States;
- The General Conference of the International Atomic Energy Agency;
- The 1995 and 2000 Review and Extension Conferences on the Treaty on the Non-Proliferation of Nuclear Weapons and their preparatory meetings;
- The 1994 and 1998 Summits of the Americas;

- The 1995 Special Commemorative Meeting of the General Assembly on the occasion of the fiftieth anniversary of the United Nations;
- The 2000 Millennium Summit of the General Assembly of the United Nations;
- The ceremony to mark the opening for signature of the Treaty of Pelindaba, creating the African Nuclear-Weapon-Free Zone (Cairo, Egypt, 1996);
- The first Conference on Facilitating the Entry into Force of the Comprehensive Nuclear-Test-Ban Treaty (Vienna, 1999).

Ambassador Román-Morey also participated as an expert in a number of other important events, including:

- The International Conference on Prospects and Possibilities for a Nuclear-Weapon-Free Zone in Central Asia (Tashkent, Uzbekistan);
- Conference on confidence-building measures in South Asia (Colombo, Sri Lanka);
- Regional meeting on disarmament in Asia and the Pacific, "Security concepts in a changing world" (Ulaanbaatar, Mongolia);
- International seminar on nuclear-weapon-free zones (Uppsala, Sweden);
- Many other international events of a more academic character focusing on disarmament.

Ambassador Román-Morey organized, coordinated and participated as a speaker in the following events:

- OPANAL seminar on "The Non-Proliferation Treaty: Latin American and Caribbean viewpoints" (Cancún, Mexico, 1995);
- Seminar on "The IAEA safeguards regime" (Kingston, Jamaica, 1996);
- Seminar on "Nuclear-weapon-free zones in the next century" (Mexico City, 1997);
- Seminar on "Disarmament and Security: a New Latin American and Caribbean Agenda for the Next Millennium" (Lima, Peru, 1999);
- As a speaker invited in his personal capacity, he has participated in numerous international seminars and round-table discussions at academic and university forums in the Americas, Europe, Asia and Africa.

In the United Nations system

Deputy Secretary-General of the Conference on Disarmament and Director of the Geneva Branch of the United Nations Department for Disarmament Affairs

Appointed by the Secretary-General of the United Nations, Mr. Kofi Annan, following formal consultations with the Member States and upon the implicit approval of the permanent members of the Security Council, as from 18 December 2000.

At the same time, he was appointed by the Secretary-General of the United Nations as Director of the Geneva Branch of the United Nations Department for Disarmament Affairs, of the Conference on Disarmament secretariat and of the

International Conference Support Branch, Geneva, Switzerland, as from the same date. During his five years in office and before he voluntarily relinquished both positions, his work focused on two specific fields:

- In the political field, while giving advice to the parties, he supervised the preparation of substantive documents aimed at identifying problems and developing new plans and procedures for the resolution of sensitive political issues affecting the Conference on Disarmament, established action lines, carried out consultations and exercised a substantive influence on the negotiation process; represented the Secretary-General of the United Nations and the Under-Secretary-General for Disarmament Affairs as required; and maintained high-level contacts with missions accredited in Geneva, with the heads of international agencies in Geneva and other European headquarters, and with organized civil society (NGOs concerned with disarmament and international security).

- In the administrative field, while supervising and managing the Geneva Branch of the United Nations Department for Disarmament Affairs, he laid down guidelines for the preparation of the Department's medium-term plans, set in motion and administered its biennial budgets, managed the human resources under his responsibility, with special emphasis on PAS (performance appraisal) exercises, supervised and managed the United Nations Disarmament Fellowship Programme, and discharged other administrative duties in fulfilment of his high-level international mandate. To those ends, he took part in various seminars, training programmes and talks on the various administrative and managerial mechanisms of the United Nations system.

In the exercise of the aforesaid responsibilities, he was also called on to represent the Secretary-General of the United Nations as:

- Secretary-General of the Biological Weapons Convention Review Conference (Geneva, November 2002);

- Executive Secretary of the Fourth Meeting of States Parties to the Mine Ban Treaty (Ottawa Convention) (Geneva, May 2002);

- Executive Secretary of the Fifth Meeting of States Parties to the Mine Ban Treaty (Ottawa Convention) (Bangkok, Thailand, September 2003);

- Executive Secretary of the First Review Conference of the Mine Ban Treaty (Ottawa Convention), known as the Nairobi Summit, held in Nairobi, Kenya, from 29 November to 3 December 2004, being appointed in that capacity by the Secretary-General of the United Nations following an official request from the States parties to the Convention;

- Executive Secretary of the Sixth Meeting of States Parties to the Mine Ban Treaty (Ottawa Convention) (Zagreb, Croatia, November 2005);

- Representing the Conference on Disarmament secretariat, he attended the annual meetings in Geneva of the United Nations Secretary-General's Advisory Board on Disarmament Matters.

Other functions and membership of associations

In addition, Ambassador Román-Morey, in his personal capacity and as an international expert, was a member of the Group of Experts of the non-governmental organization Programme for Promoting Nuclear Non-Proliferation (PPNN), where he was the only representative of Latin America.

Since September 1997, he has been an active member of the Mexican Academy of International Law, which awarded him a doctorate honoris causa in international law.

In his personal capacity, he was a member of the Board of Directors of Lawyers Alliance for World Security (LAWS), with headquarters in Washington, D.C.

He is an ex officio member of the Peruvian Society of Founders of Independence and Qualified Defenders of the Nation, in Lima, Peru.

He is the author of a number of articles that have appeared in international publications. He has a full command of Spanish, English, French and Italian and a spoken command of four other languages. He is married to Ana María Carrillo Orbegoso and has five children (Enrique, María de Fátima, María Paola, Anaguadalupe and Analourdes).

Annex II

Letter dated 30 October 2007 from the President of the Economic and Social Council to the President of the General Assembly

I have the honour of writing to you in response to your letter of 17 October 2007 regarding the nomination by the Government of Peru of Mr. Enrique Román-Morey to the Joint Inspection Unit to complete the unexpired term of office of Mr. Juan Luis Larrabure (Peru), who resigned effective 30 September 2007.

I wish to inform you, in my capacity as President of the Economic and Social Council, and in accordance with article 3, paragraph 2, of the statute of the Joint Inspection Unit, that I have reviewed the qualifications of the proposed candidate and I have the pleasure to inform you that I am in full agreement with the proposal to nominate Mr. Román-Morey (Peru).

(*Signed*) Dalius **Čekuolis**
President of the Economic and Social Council

Annex VI

Letter dated 14 November 2007 from the Secretary-General in his capacity as Chairman of the United Nations System Chief Executives Board for Coordination addressed to the President of the General Assembly

I have the honour to refer to your letter of 17 October 2007 regarding the proposed appointment of a new inspector to the Joint Inspection Unit.

In accordance with article 3, paragraph 2, of the statute of the Joint Inspection Unit and following consultations with members of the United Nations System Chief Executives Board for Coordination (CEB), I have the pleasure to inform you that, in my capacity as Chairman of CEB, I am endorsing the appointment of Mr. Enrique Román-Morey (Peru) for a five-year period beginning 1 January 2008 and ending 31 December 2012.

(*Signed*) **Ban** Ki-moon

United Nations A/62/550

General Assembly

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Sixty-second session
Agenda item 53
Follow-up to and implementation of the outcome of the International Conference on Financing for Development

Summary by the President of the General Assembly of the High-level Dialogue on Financing for Development (New York, 23-25 October 2007)

I. Introduction

1. The General Assembly held its third High-level Dialogue on Financing for Development from 23 to 25 October 2007 at Headquarters. The overall theme of the meeting was "The Monterrey Consensus: status of implementation and tasks ahead".

2. The President of the General Assembly, Srgjan Kerim, opened the meeting. Statements were made by the Secretary-General, Ban Ki-moon, and the President of the Economic and Social Council, Dalius Čekuolis. Twenty ministers, 15 vice-ministers and many high-level officials from more than 100 Governments made statements to the plenary. Representatives of major institutional stakeholders, the World Bank, the International Monetary Fund (IMF), the World Trade Organization, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) also spoke. The second day was devoted to six interactive multi-stakeholder round tables on the six chapters of the Monterrey Consensus, followed by an informal interactive dialogue. Participants at those informal meetings included ministers and other high-level representatives of Governments, representatives of 27 international organizations and 39 civil society organizations and senior representatives from the private sector.

3. The titles of the round tables, the co-chairs and lead discussants were as follows:

- Round table 1: "Mobilizing domestic financial resources for development", co-chaired by Kwadwo Baah Wiredu, Minister of Finance and Economic Planning of Ghana and Peter Moors, Director-General for Development Cooperation of Belgium, with Carlos Braga, Senior Advisor, Poverty Reduction and Economic Management, World Bank, as lead discussant
- Round table 2: "Mobilizing international resources for development: foreign direct investment and other private flows", co-chaired by Hina Rabbani Khar,

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State Minister for Economic Affairs of Pakistan and Lásló Várkonyi, State Secretary, Ministry of Foreign Affairs of Hungary, with Khalil Hamdani, Director, Division on Investment, Technology and Enterprise Development, UNCTAD, as lead discussant

- Round table 3: "International trade as an engine for development", co-chaired by Ol'ga Algayerová, State Secretary, Ministry of Foreign Affairs of Slovakia and Patricia Orantes, Secretary for Planning and Programming of Guatemala, with Valentine Rugwabiza, Deputy Director-General, World Trade Organization, as lead discussant

- Round table 4: "Increasing international financial and technical cooperation for development", co-chaired by A. B. Mirza Md. Azizul Islam, Honourable Adviser for Finance of Bangladesh and Marjatta Rasi, Under-Secretary of State of Finland, with Jeffrey Sachs, Special Adviser to the Secretary-General on the Millennium Development Goals and Director, United Nations Millennium Project, UNDP, as lead discussant

- Round table 5: "External debt", co-chaired by Tjikero Tweya, Deputy Minister of Finance of Namibia and Salvador de Lara, Director-General of Regional Economic and Multilateral Organizations, Ministry of Foreign Affairs of Mexico, with Mark Plant, Deputy Director, Policy Development and Review Department, IMF, as lead discussant

- Round table 6: "Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development", co-chaired by Eduardo Gálvez, Multilateral Policy Director, Ministry of Foreign Affairs of Chile and Andreas Mavroyiannis, Permanent Representative of Cyprus to the United Nations, with Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs, as lead discussant.

4. The meeting also considered the report of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/62/217). Extensive reference was made to the issues discussed during the "hearings" with the business sector on 11 October 2007 and with civil society on 22 October 2007. The discussions held in the plenary, round tables and interactive dialogue meetings are summarized below.

II. Mobilizing domestic financial resources for development

5. In the view of several speakers, despite the progress made in various areas, there were two serious issues that needed to be addressed. First, a considerable number of countries would not achieve all of the Millennium Development Goals by 2015. Second, income inequality had worsened both between and within countries. Confronting those problems required the complete fulfilment of the commitments made by all partners in the Monterrey Consensus.

6. Several representatives stressed that good governance was the most important requirement for vigorous economic growth and sustainable development. That implied a strong, transparent, accountable State and sound, democratic government institutions. It also implied protection of human rights and the environment, equal opportunities for all and gender equity. It was noted that other key elements of good

governance included an active policy towards entrepreneurship, space for private initiative, the provision of decent work, adequate infrastructure, the protection of workers' rights and a just and effective tax system to finance effective public services.

7. Many participants pointed out that developing countries were making significant efforts to fulfil the Monterrey Consensus compact. A large number of developing countries had introduced policy reforms that had helped to improve domestic macroeconomic fundamentals, lowering inflation and increasing rates of economic growth. Africa, Asia and Latin America had witnessed an unusual period of expansion in the last four to five years. It was important to sustain that trend and to draw in those countries that were lagging behind.

8. In the economic sphere, according to a number of participants, sound macroeconomic policies were vital. Such policies to a large extent determined the investment climate and overall stability in developing countries and countries with economies in transition. It was also noted that sound macroeconomic policies in large industrial countries were crucial for an enabling international environment. Several speakers underlined that with globalization having an increasing impact on domestic economic conditions, careful fiscal and monetary management was becoming more important. In this context, these speakers suggested that two aspects were important: the design of medium-term fiscal and debt frameworks, and policy space — particularly for the implementation of anti-cyclical policies. It was also noted that one of the key objectives of macroeconomic policies had to be full employment.

9. A number of representatives noted that a large number of developing countries had liberalized their trading regimes and enhanced their business climate, unlocking substantial new private sources of financing for development. They emphasized the importance of a business-friendly environment for a dynamic private sector. Improved market confidence not only promoted domestic investments but also attracted foreign flows and helped to prevent capital flight.

10. The diversity of success stories, in the view of several participants, showed that the notion that "one size fits all" was misleading. National development strategies had to be formulated endogenously by each country, paying particular attention to its own circumstances. In that context, some representatives pointed out that in their own countries a major effort in human resource development and a successful export strategy had been main factors in a rapid and sustained expansion.

11. A substantial number of speakers stressed that human development was the basis for economic and social progress, and the single most important factor in eradicating poverty. However, in many countries domestic investments by themselves were insufficient to make rapid progress in education, health and nutrition and increased international financial cooperation was critical in order to supplement domestic resources. Better human resource development was needed to strengthen professional (particularly managerial) capacities, including through technical assistance. Several participants noted that the "brain drain" and the related pull and push factors were issues that the international community should address. It was also noted that the potential contribution that diasporas could make to their countries of origin was increasingly being recognized.

12. Many speakers pointed out that women constituted over half the global population, and that their advancement was central to achieving the Millennium Development Goals and other development goals. The promotion of gender equality was not only a moral issue, as it benefited families, communities and the country at large. Women were key agents for change and empowering women could greatly increase the potential for development in a country.

13. An effective and just tax system was, in the view of several participants, critical to the mobilization of domestic resources. An adequate provision of social services, including social protection and basic social services for the poor, required a well-functioning tax system and an effective tax administration. The national tax base in many developing countries was quite low and could be improved. Strengthening the tax system and making it more progressive seemed necessary in many countries. An enhanced tax administration was also the key to combating tax evasion and increase fiscal revenues.

14. A large number of delegates stressed the crucial importance of developing the domestic financial sector — a central operational principle in the Monterrey Consensus. Strengthening and deepening the local financial sector implied reinforcing institutions, in some cases building new institutions, improving financial regulations and enhancing supervision. There was much to be done in that regard in most developing countries and countries with economies in transition, particularly to facilitate and expand access to long-term capital, provide appropriate financing to small and medium-size enterprises and facilitate financial access to microenterprises, women, the rural sector and the urban poor. Technical assistance was essential to develop the domestic financial system, particularly long-term capital markets. International cooperation to that end, particularly through multilateral financial institutions, should be strengthened.

15. Many representatives underlined the importance of an inclusive financial sector and emphasized the role of microfinance in developing countries. Widespread access to financial services was critical for microenterprises and small and medium-size enterprises, usually a very dynamic part of the private sector providing a significant share of total employment. Inadequate access to financing often inhibited the potential for growth. Several participants said that increasing women's access to financial services was crucial to their empowerment. It was also noted that microfinance had had a major impact since the adoption of the Monterrey Consensus. It had proved to be a key instrument for providing financial services for the poor. It was, therefore, important to enhance national and international efforts to strengthen microfinance and expand it to all developing countries.

16. Various participants said that important lessons had been learned in the functioning of national development banks. Such banks could provide long-term capital for investments, including for infrastructure, and reach productive activities that were underfinanced, such as agriculture. They could also perform other functions such as risk mitigation and the provision of technical assistance to enterprises.

17. Some representatives added that new financial instruments were being created, predominantly bonds, by public and private entities in foreign currency but increasingly in national currency. These opportunities were also open to small-size economies, particularly by joining efforts and creating regional bond markets.

III. Mobilizing international resources for development: foreign direct investment and other private flows

18. A substantial number of participants underscored the favourable trends in foreign direct investment (FDI) and other private financial flows to developing countries since the early 2000s. Yet, most of those flows remained concentrated in a small number of countries. The key challenge was to find ways to sustain the favourable trends so that all developing countries could benefit. It was noted that there had been a surge in outward FDI from developing countries, reaching 15 per cent of world FDI in 2007, but it came mainly from a few large emerging economies. However, FDI from developing countries was increasingly providing an important source of investment for low-income countries.

19. Many representatives stated that although FDI flows to developing countries had approached $400 billion in 2006, addressing the scarcity of such flows in Africa, least developed countries, landlocked developing countries and small island developing States was a central task in mobilizing international resources for development and a key priority for the Doha Conference. However, to a considerable extent scarcity was a result of inappropriate policies, particularly of a domestic nature. Some participants underlined that FDI was attracted when there was a significant potential to exploit natural resources or a healthy business environment.

20. Many speakers noted that countries could do much to improve their business environment through sound macroeconomic and market-friendly policies. To that end, Governments should try to provide enabling regulatory and legal frameworks that were stable, transparent and simple; fight corruption; and provide the appropriate infrastructure for transport, communications and electricity. It was noted that public-private partnerships and improved information on potential recipient countries could also assist in mobilizing FDI.

21. In the view of several participants, expanding FDI was important, particularly when investments introduced new, modern technologies. FDI could be instrumental in technology transfer, increasing employment and advancing the decent work agenda, forging links with domestic enterprises and developing technical skills and management capacities. Several speakers pointed out the importance of socially responsible investments: foreign investments should respect workers' rights and assist in eradicating poverty and promoting economic growth and sustainable development. In that context, a number of participants underlined the relevance of the work being done by the Global Compact and the United Nations Fund for International Partnerships. Given the large and increasing capital flows in the various regions, there was also a call to the Secretariat to compile better data on FDI flows from and to developing countries, both official and private, as well as domestic FDI policies.

22. Some participants pointed out that closer international cooperation could facilitate additional foreign investment. Multilateral financial institutions could strengthen their programmes in infrastructure, facilitate risk mitigation and provide guarantees and technical assistance. Aid programmes could consider their links to potential FDI. Risk mitigation could also be achieved by having impartial international forums to resolve disputes. Moreover, noting the increase in FDI from developing countries, several representatives called for further efforts to promote

this trend within the framework of South-South cooperation, including triangular cooperation.

23. FDI also depended on the international environment according to some speakers. A fragile balance of payment and barriers to trade inhibited FDI in many developing countries. For FDI to reach any significant level it was crucial for a number of middle-income countries to resolve debt overhang and for market access to developed countries to be improved.

24. As a large proportion of FDI had been flowing into extractive industries in developing countries, concerns were expressed regarding the development impact of investments in that sector. Several delegates called for the channelling of revenues from such investments to development purposes and for initiatives to encourage transparency in the use of such revenues. It was noted that UNDP was developing technical assistance programmes to help countries in that regard. It was also noted that the value added arising from FDI in extractive industries could be enhanced by attracting investments in complementary secondary industries, such as mineral processing.

25. In the view of several participants, the recent events in the sub-prime mortgage market had shown that volatility was still a feature of international financial markets. The accompanying uncertainty had caused sudden credit tightening in developed and developing countries. While it was difficult to assess the ultimate impact of such events, it was clear that the international financial architecture was not functioning well. Besides addressing the systemic challenges posed by recent developments, one of the crucial tasks was to review the institutional set-up, methodology and transparency of existing risk-rating arrangements.

26. Some representatives stressed the link between the enhancement of the domestic financial market and international private flows. Debt market development could have a considerable impact in attracting both foreign and domestic capital and channelling them towards critical sectors of the economy such as infrastructure. The operations of venture capital could also help to boost economic development by creating businesses opportunities with relatively low levels of finance.

27. A number of participants underscored that diasporas could make an important contribution to economic growth in their countries of origin by helping to create and develop business links between home and host countries. For this to succeed, the existence of an enabling business environment was necessary. Also, several representatives underlined the need for greater multilateral cooperation to enhance the impact of remittances on development. It was necessary to continue efforts aimed at reducing the cost of transfers; to design modalities with the recipients to encourage the utilization of remittances for education, the creation of microenterprises and the provision of basic services for local communities; and to develop local financial systems.

IV. International trade as an engine for development

28. It was noted that no country had reduced poverty in the last three decades without also increasing trade. A timely completion of the present multilateral trade negotiations leading to the full realization of the development dimensions of the Doha Round was essential to boost development, provide additional employment

and alleviate poverty. Many speakers highlighted that the continuous expansion of international trade was providing an important impetus for economic growth and helping many countries to lift a substantial number of people from poverty. Several representatives highlighted that the emergence of some developing countries as regional or global engines for growth had changed the geography of international trade.

29. There were widespread expressions of concern about the impasse in the Doha Round of trade negotiations. This was casting a shadow on the credibility of the multilateral trading system and the multilateral trade negotiations process. Nevertheless, a number of representatives said that negotiations had progressed more than people generally thought. A balanced, equitable and development-oriented outcome was still within reach if key members showed a spirit of compromise and constructiveness. Many delegates stated that making the principles of special and preferential treatment and less than full reciprocity operational in key areas of the Doha Round negotiations was critical.

30. Several representatives pointed out that despite the overall trade vitality, trade remained weak in a large number of developing countries, particularly in many African countries, least developed countries, landlocked developing countries and small island developing States. Facilitating the economic transformation in such countries required the full implementation of the Doha development agenda and considerable international assistance to expand their exports. For least developed countries, it was necessary that developed countries and developing countries in a position to do so provide duty-free and quota-free market access for all their products without restriction. Also, some participants called for the liberalization by developed countries of their markets for all categories of service providers for least developed countries under mode 4 of the General Agreement on Trade in Services.

31. In the view of many participants, a key issue for many developing States was setting up the conditions in their own countries to take advantage of trade opportunities, including the additional potential that a favourable outcome in the Doha Round might provide. Improved trade negotiating capacity, enhanced trade facilitation, improving human capital and removing supply constraints — particularly transport and communication infrastructure — were all important. Aid for trade, including building capacities for the export of services, was therefore necessary. It was also emphasized that it was important to integrate trade in goods and services in national development strategies, particularly since trade had a bearing on the industrialization process, employment, structural adjustment and fiscal policy.

32. A considerable number of countries stressed that aid for trade was increasing significantly and that this trend should be maintained. For instance, the European Union was intending to raise its collective expenditures in trade-related assistance to two billion euros annually from 2010. On the side of recipient countries, especially low-income countries whose trade capacities were weaker, it was important to focus aid for trade on two or three national priorities that could have the most impact on trade growth. It was noted that aid for trade would succeed only if the respective country programmes were driven by on-the-ground business experience and needs. It was therefore necessary to consult the private sector when designing such programmes.

33. Many representatives underlined that increased trade in agriculture was critical for a substantial number of countries. For several African countries, expanded trade in their agriculture products would have significantly positive repercussions in rural development, employment and women's income. There was also much to be gained by agricultural producers in other developing regions. It was thus crucial to eliminate export subsidies and other trade-distorting subsidies to agricultural products. Tariffs for some agricultural products exported by developing countries were also unusually high and had to be reduced substantially. Negotiations on agriculture were a crucial aspect of the Doha Round.

34. It was noted that widespread trade liberalization in manufactures would open many opportunities for all partners. Increased trade in labour-intensive products would benefit a substantial number of developing countries. Yet, a decline was likely in non-competitive industries. It was important to introduce equity considerations in the structural adjustment policies to compensate those who were most vulnerable in declining industries. The provision of flexibility in the liberalization process was also necessary to allow sufficient policy space to maintain an adequate balance in developing countries between international commitments and national development policies.

35. Several speakers said that while multilateral trade negotiations were going on, recent decisions by countries or groups of countries tended to undermine the multilateral system. In some developed countries new barriers to trade — such as environmental, labour and health-related standards — had emerged. Moreover, the proliferation of regional and bilateral free trade agreements was, in practice, eroding the most favoured nation principle and reducing the coherence of the international trading system. In the view of various participants a successful completion of the Doha Round would help to stop the erosion of multilateral trade rules and restore the coherence of the international trading system.

36. Some representatives reiterated the need to maintain the current positive trend in growth in many developing countries. Economic development and trade in those countries was stimulating South-South cooperation and creating more favourable economic prospects for other developing countries. To encourage the continued dynamism of the South it was therefore necessary to enhance South-South trade cooperation, including through a successful outcome of the Doha Round.

V. Increasing international financial and technical cooperation for development

37. Many representatives recognized the significant increases in ODA (official development assistance) since the adoption of the Monterrey Consensus. ODA had reached $106.8 billion in 2005, then fallen to $104.1 billion in 2006. The ratio of ODA to gross national income (GNI) had also risen significantly across the member countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD): from 0.23 per cent in 2002 to 0.31 per cent in 2006. However, a large number of participants stressed that those levels remained inadequate in relation to requirements, particularly the need to achieve the internationally agreed development goals, including the Millennium Development Goals, in all regions by 2015. It was also noted that those figures remained below the internationally agreed target of 0.7 per cent ODA/GNI.

38. Some representatives stated that their countries were committed to substantial increases in aid and that this was crucial given that the mid-point to achieve the Millennium Development Goals by 2015 had been passed. The members of the European Union had established intermediate collective targets for ODA/GNI of 0.56 per cent by 2010 and 0.7 per cent by 2015. Some speakers encouraged the European Union to continue to make Africa a priority region for ODA investments. Some participants underlined current efforts by African countries to deliver their own commitments in the Monterrey Consensus and the New Partnership for Africa's Development, which also served as a framework for further actions.

39. A substantial number of participants agreed on the crucial need to increase ODA markedly, particularly for the least developed countries. Developing countries were making significant efforts to deliver their Monterrey commitments and it was important to reinforce those efforts. Increased ODA could lead to a virtuous circle of economic growth, social development and poverty eradication. Moreover, new needs had emerged in relation to national efforts to cope with climate change in many countries. It was noted that ODA was less than one tenth of the amount spent globally on arms.

40. Several speakers referred to the international conference on development cooperation with middle-income countries held in Madrid in March 2007 and the second conference on the same subject convened in Salinitas, El Salvador, in October 2007, and welcomed their conclusions. These speakers noted that ODA to middle-income countries was decreasing despite the claim that 41 per cent of the world's poor lived in such countries. Aid disbursements had been linked too rigidly to gross domestic product levels. Not only the poorest developing countries, but also many middle-income countries had considerable needs in education and health. They suggested that strengthened international financial cooperation was necessary for rapid progress in these areas as well as in targeted programmes for poverty alleviation. There was a call to revise the criteria for aid to these countries, including from multilateral partners, and to consider new mechanisms to support their poverty eradication and broader development efforts. Some participants welcomed the attempts in that direction by the World Bank. A number of speakers noted the need to ensure adequate levels of resources for the International Development Association and regional development banks and to raise the capital base of these institutions.

41. Many representatives stressed that the quality of aid was as crucial as its quantity. There was still much to be done to ensure that aid flows were predictable and long-term. Also, a substantially higher proportion of aid should be untied and fully aligned with recipient priorities. In that context it was noted that in a significant number of countries, aid provided as budget support had performed quite satisfactorily.

42. A substantial number of speakers underscored the relevance of the Paris Declaration on Aid Effectiveness. The Declaration established clear commitments for both donor and recipient partners in terms of national ownership, donor coordination and harmonization, result-oriented outcomes and mutual accountability. Its implementation would lead to more effective aid and reduced transaction costs. A high-level forum on aid effectiveness would be held in Accra in September 2008, mainly to assess progress in the Paris Declaration with the full

participation of recipient partners. The results of that forum would be a key input for Doha.

43. Several participants referred to the need to redefine ODA, noting that debt relief, humanitarian aid and emergency assistance should not be considered as development aid. In that regard, it was suggested that a representative forum to review aid effectiveness and ODA levels was required. It was noted that there were some disadvantages in changing the present ODA definition, as it would undermine progress towards targets which donors had committed themselves to reaching. It was stated that the OECD Development Assistance Committee was going to continue reporting the breakdown of ODA to include debt relief and humanitarian assistance. Many speakers called for the recently created Development Cooperation Forum to play a major role in assessing aid accountability, effectiveness and progress to fulfil commitments.

44. Various speakers said that donor selectivity was leading to the existence of "aid orphan countries" and "aid orphan sectors", i.e. a number of developing countries or sectors did not receive appropriate levels of support relative to other countries or sectors. A more balanced approach was necessary to effectively reach more countries. ODA flows to agriculture were deficient, and a global fund for African agricultural development should be considered. Several representatives stressed that education and particularly programmes to empower and facilitate the advancement of women should receive much more attention. Others emphasized the need to enhance management capacities and private sector development. A number of participants called for due consideration to be given to the development needs of post-conflict countries. It was important that support for post-conflict countries move quickly, on a case-by-case basis, from emergency relief to development.

45. Many representatives welcomed progress in the area of innovative sources of finance, particularly the Action against Hunger and Poverty initiative and the work of the Leading Group on Solidarity Levies to Fund Development. It was important to strengthen current efforts and to continue exploring new initiatives. It was suggested that part of the additional resources stemming from these innovative flows be made available to developing countries for purposes going beyond existing specific objectives, for example, for development-related investments or to support efforts to adapt to climate change. Several participants noted the increasing significance of (a) the air ticket levy whose proceeds financed the new International Drug Purchase Facility; (b) the International Financial Facility for Immunization; and (c) the advanced market commitments programme for the development of future vaccines. The latter two combined market-based financing tools with public interventions to provide funding. There was a call for additional countries to join these initiatives. Some speakers stressed that these additional sources of development finance should complement and not substitute for ODA.

46. Various participants suggested some new sources of development finance: effectively combating tax evasion; ploughing back to the country of origin a share of the resources collected by the respective consulates of developed countries when charging for visa applications; and a currency transaction tax. A miniscule transaction tax assessed on dealers of major currencies in the foreign exchange markets could yield very large annual revenues.

47. Many participants underscored that South-South cooperation was growing in several key fields. Monetary and financial cooperation at the regional as well as

interregional level was gaining traction. Oil-exporting countries were becoming particularly active as aid donors. Some Asian and Arab countries, as well as countries in other developing regions, were cooperating more closely with African countries. In South America, the Banco del Sur had been established recently. Technical assistance was also on the increase. South-South technical assistance presented several advantages: cultural affinity and geographic proximity; lower cost; greater sense of ownership; and cooperation among partners facing similar development problems, which led to responses that could be more easily adapted to the beneficiary country's needs. It was important to strengthen such cooperation, including through bilateral and multilateral support. Some speakers underlined that the United Nations system should play a more substantial role in support of such triangular cooperation.

48. Several participants referred to the emergence of new donors. Besides the increasing flows from several developing countries, several emerging economies were also becoming significant donors. In addition, private foundations and philanthropists providing larger amounts than in the past were cooperating directly with developing countries or through civil society organizations.

49. Climate change had brought new dimensions to the consideration of development cooperation issues according to a number of speakers. There were crucial links between development finance and climate change, including technology transfers, objectives and priorities for development aid, agricultural and industrial strategies and the availability of clean energy. Many recognized that it was important to channel additional aid to developing countries to support efforts to adapt to climate change. This was critical in the case of the more vulnerable developing countries, where the negative impact of climate change would be greatest.

VI. External debt

50. A considerable number of representatives stressed that significant progress had been achieved in solving some of the more serious debt problems. The heavily indebted poor countries (HIPC) initiative had made notable advances and provided $45 billion in debt relief to 31 countries. The Multilateral Debt Relief Initiative had provided nearly $42 billion in debt forgiveness and lowered the debt stock of 31 countries by about 90 per cent. As a result, social expenditures in those countries as a share of gross domestic product had increased substantially. Despite that progress, some creditors had still not granted relief to countries eligible for the HIPC initiative.

51. Several speakers said that serious debt problems persisted in a significant number of non-HIPC low-income countries, including some least developed countries. It was important to address this situation by developing new debt relief initiatives. Some suggested that 100 per cent official debt cancellation should be considered for all least developed countries to free resources for the achievement of the Millennium Development Goals. Some representatives pointed out that debt-servicing costs were very high in a considerable number of middle-income countries, particularly where the ratio of external debt to gross domestic product exceeded 100 per cent. This situation reduced resources available for social spending, as could be seen in many Caribbean countries. In that regard, some stated

that it was necessary to explore multilateral initiatives to address the special situations in middle-income countries, especially the heavily indebted ones on the lower end of the income scale.

52. According to many participants, debt sustainability remained a challenge for a large number of developing countries, in particular low-income countries. Both creditors as well as debtor countries had a responsibility in ensuring debt sustainability. It was essential for borrowing countries to develop and apply comprehensive debt management strategies. This would mitigate the risk of recurrent debt problems. It was also important that official and private creditors consider debt sustainability and the implications for their lending policies. The debt sustainability framework of the Bretton Woods institutions was a valuable instrument to assess external debt-related risks. It also provided the opportunity to look at external debt with a long-term perspective and assess macroeconomic and fiscal policies.

53. Many speakers stressed that the debt sustainability analysis was a critical instrument in decisions regarding debt relief. It was of crucial importance to link debt sustainability to the capacity to achieve national development goals, including the internationally agreed development goals. Some speakers stated that the debt sustainability framework should be reviewed, considering factors such as the country-specific character of sustainability; greater flexibility in the setting and implementation of thresholds; the testing of debt scenarios that included possible external shocks; and the avoidance of subjective governance indicators. For countries with considerable amounts of domestic public debt, local debt dynamics should be introduced in their debt sustainability analysis.

54. Various participants pointed out that with the liberalization of capital markets it was extremely difficult for middle-income countries to control capital flows. A large share of such flows was of a cyclical nature and prone to instability. Often in such cases domestic public debt was also substantial. Both circumstances contributed to instability and increased the importance of effective public debt management, including an improved IMF debt sustainability framework to better identify potential solvency and liquidity problems. They also suggested greater prudence on the part of creditors and a better functioning system of credit rating agencies, as the present economic conditions could change leading to the possibility of serious problems in the future. It was also necessary that IMF raise awareness of risks both for creditors and debtors of private capital.

55. Several participants noted the importance of avoiding the currency risks associated with excessive accumulation of foreign currency-denominated debt. In this regard, participants underlined the importance of targeted risk mitigation instruments on the basis of bilateral or multilateral support, as well as the need to improve the ratings of debt issuance to investment grade by securitization and other mechanisms.

56. Many speakers reiterated the importance of adequate debt management. They indicated that technical assistance in this area was crucial, and essential in the case of low-income countries. Some representatives pointed out that several developing countries had arrears in one or more international financial institutions and modalities should be explored to regularize their situation. Also, it was vital that sovereign creditors abstain from selling claims on heavily indebted poor countries, as this diverted resources from fighting poverty.

57. A number of participants noted the need for a sovereign debt workout mechanism that would be effective, timely and involve all creditors. It was suggested that IMF continue to explore an international debt restructuring mechanism with those features. It was noted that debt arbitration along the lines of chapter IX of the United States Bankruptcy Code could also be considered as an appropriate instrument to deal with sovereign debt problems. One representative proposed the establishment of an international debt commission overseen by the United Nations through the Economic and Social Council to deal with external debt issues of developing countries. Other speakers referred to this proposal.

VII. Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

58. Many speakers expressed the view that the international financial architecture required reform. Instability remained a feature of the global financial system. Large global imbalances persisted. At the aggregate level, substantial net financial transfers were flowing from the South to the North and an excessive build-up of international reserves was taking place in a significant number of developing countries. Several representatives said that there was a need for enhanced macroeconomic stability in major economies, higher transparency in the operations of financial institutions, particularly in the case of new financial instruments, and stronger financial regulations, including for hedge funds.

59. Several representatives stressed that systemic issues, together with actions to mobilize domestic and international financial resources, were fundamental when considering financing for development and should be addressed in the Doha conference. These included issues concerning the governance of the global economy, in other words, who established and supervised the rules of the game; the existence of entities that would have the greatest possible legitimacy; the effective participation of developing countries in building the international financial architecture; the contribution of regional and subregional organizations to their own region and the effective partnership of such organizations with global institutions; enhancing the role of the United Nations and the major institutional stakeholders of the financing for development process, taking into account the rapid evolution towards the global integration of economic activities.

60. A substantial number of representatives said that developing countries were marginalized in key international financial discussions that had significant impact on their economies. It was critical that developing countries have an effective voice in all relevant forums whose decisions had an impact on them, including institutions that set norms and standards, since inadequate representation of developing countries affected their legitimacy, credibility and effectiveness. In this regard, the boards of the Bretton Woods institutions were considering the issue of voice and voting power of developing countries and countries with economies in transition. It was essential that these considerations should lead promptly to a significant increase in voting power and effective participation for these countries, including through a doubling of their basic votes.

61. It was noted that the prevention and management of financial crisis remained a very important dimension of the responsibilities of IMF. Several participants

emphasized the necessity of providing it with adequate instruments, in particular, suitable financial facilities with adequate resources to allow for quick responses to developing countries' financial crises. Some speakers stressed the important role that regional monetary and financial arrangements could play, particularly as a first barrier to contain crises.

62. Several participants emphasized the importance of enhancing coherence among and within the United Nations system, the international financial institutions and the World Trade Organization. Coherence in policy formulation in these institutions should be accompanied by coherence and coordination of development partners in operational activities at the country level. It was noted that the United Nations had a key role in evaluating the current development paradigm. Climate change posed a new challenge, and the United Nations should play a leading role. An integrated view was important, and the United Nations had the universality required to evaluate the development paradigm, but to maintain its legitimacy it needed to improve its overall development effectiveness. The United Nations should therefore provide general guidance while the technical policy aspects were worked out in the appropriate forums.

63. Many representatives underlined the importance of enhancing international cooperation in tax matters. Some progress had been achieved since the Monterrey Conference by the establishment of the new Committee of Experts on International Cooperation in Tax Matters, a subsidiary body of the Economic and Social Council. Yet, it was necessary to intensify and broaden the work in this area. The aspects that required special attention included strengthened cooperation to reduce transborder opportunities for tax avoidance and tax evasion, and increased transparency in international financial transactions to reduce capital flight and curtail money-laundering and terrorist financing. An additional task should be to devise mechanisms to return the proceeds of corruption invested abroad to the country of origin. Some participants proposed upgrading the Committee of Experts to an intergovernmental body or setting up a new international tax organization.

VIII. Staying engaged

64. Many representatives highlighted the importance of all stakeholders remaining fully engaged in the preparations for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, to be held in Doha in 2008. There was a convergence of views that the financing for development process should be seen in the context of the evolving world economic and political situation and take into account new strategic challenges and emerging issues. However, the delivery of all existing commitments agreed at Monterrey remained a priority. In this regard, several Member States suggested strengthening the institutional arrangements for intergovernmental follow-up of the financing for development process.

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Letter dated 26 November 2007 from the Permanent Representative of Bahrain to the United Nations addressed to the Secretary-General

I have the pleasure of transmitting the statement of His Majesty King Hamad bin Issa Al-Khalifa, King of the Kingdom of Bahrain, on the occasion of the International Day of Solidarity with the Palestinian People (see annex).

I would appreciate it if the present letter and its annex were circulated as a document of the General Assembly, under agenda item 18, and of the Security Council.

(*Signed*) Tawfeeq Ahmed **Almansoor**
Ambassador
Permanent Representative

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Annex to the letter dated 26 November 2007 from the Permanent Representative of Bahrain to the United Nations addressed to the Secretary-General

[Original: Arabic]

Letter from His Majesty King Hamad bin Issa Al-Khalifa, King of the Kingdom of Bahrain, on the occasion of the International Day of Solidarity with the Palestinian People (29 November 2007)

The convening of the sixty-second session of the General Assembly this year coincides with the fortieth anniversary of the Israeli occupation of Palestinian and other Arab territories in 1967. Neither we nor the international community are in need of any further speeches describing the results of the ongoing occupation and the humanitarian, economic and social misfortunes and disasters having occurred over these four decades, the effects of which continue to bring suffering on the Palestinian people to this day.

The reports of United Nations bodies and agencies have documented the various aspects, dimensions and repercussions of the policy and practices of the Israelis in their occupation of the West Bank and the Gaza Strip, including demolition, displacement, isolation, blockade and economic strangulation, which by any international legal and humanitarian standards constitute flagrant violations of the Fourth Geneva Convention and of the rights of the Palestinian people in the occupied Palestinian territories.

The continuing Israeli occupation throughout these four decades has come to be a permanent source of instability and violence, not only in the occupied territories but also throughout the Middle East, heightening tension and directly affecting the future of regional peace, security and stability.

The international community is certainly now aware that the achievement of stability and security in the countries and regions surrounding the occupied Palestinian territories is closely linked to finding a just solution to this historical conflict by peaceful means, in accordance with international legitimacy.

Despite the intensive multi-track dialogues witnessed this year by the Arab region, by the parties directly concerned with the dispute and by the international community through the efforts of the Quartet, we cannot but note with deep regret that the situation in the occupied Palestinian territories in the West Bank and Gaza Strip, particularly in recent months, has undergone still further deterioration, which bodes ill for the cautious hope and new-found confidence surrounding the possibilities for arranging a meeting on peace in the Middle East shortly before the end of this year.

We welcome all the ongoing earnest Arab endeavours to establish peace and revive efforts designed to achieve that objective by returning to the Palestinian people all of the West Bank and Gaza territories occupied since 1967. In the same context, we commend the results of the international peace conference convoked by American President George Bush and hope that the ensuing phase will be a turning point in dealing in earnest with the essential issues and pending questions on the tracks of the peace process.

We wish to emphasize the importance of continuing the peace process and following up on the outcome of the conference with a view to arriving at a peaceful, just, lasting and equitable settlement to end the Israeli occupation of the Palestinian and Arab territories occupied since 1967, as well as to the establishment of an independent and viable Palestinian State, with Jerusalem as its capital. All States in the region, including Israel, may then live together in security and peace, on the basis of the relevant terms of reference and international instruments, in particular United Nations resolutions, the Arab Peace Initiative and the road map, in accordance with the principles of international legitimacy and the will of the international community.

Let us therefore work sincerely and with all of our might to achieve this humanitarian goal with a view to establishing the principles of justice, promoting truth and victory for legitimacy and law, and implementing the will of the international community.